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JOINT STANDING COMMITTEE

on

FOREIGN AFFAIRS, DEFENCE AND TRADE

ANZUS alliance

CANBERRA

Monday, 11 August 1997

OFFICIAL HANSARD REPORT

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SEMINAR

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Introduction**The Honourable Genta Hawkins Holmes, US Ambassador**

CHAIRMAN - Distinguished guests, ladies and gentlemen, on behalf of the Joint Standing Committee on Foreign Affairs, Defence and Trade, I welcome you to this meeting, entitled 'ANZUS after 45 years'. I am chairman of the defence subcommittee, and the defence subcommittee is the unit of the Joint Standing Committee on Foreign Affairs, Defence and Trade which is sponsoring the seminar.

You will find that the speakers gathered here for this event are some of the most eminent and authoritative persons available to speak on individual aspects of the history, objectives, obligations and implications of the security treaty between Australia, New Zealand and the United States, most commonly referred to by the acronym of ANZUS. I do not intend to speak on the treaty, as I am sure our guest speakers will examine the topic thoroughly and from a myriad of perspectives. That is the reason for this gathering today. I hope that the discussion can be free-ranging and that the proceedings, when published, will provide a definitive text of contemporary thought on the treaty. Accordingly, I invite you all to participate in the opportunities at question time to put your views to the speakers. In many ways the audience is as important a part of this function as the speakers are themselves.

I would like to welcome on your behalf the speakers who have kindly contributed their valuable time to be with us for this session. I most warmly want to welcome the American ambassador, Ambassador Holmes, who—she will probably be embarrassed when I tell you this—is in a great deal of pain with her back. That is why she is not dancing around the room and slapping people on the back. You will understand that it is a very noble effort that she has come along, given the experience she is going through at the moment. She has very graciously offered to open this seminar so, without any further ado, I give you the ambassador for the United States, Ambassador Holmes.

Ambassador HOLMES—Do not feel too sorry for me, it is not an old war injury. I mis-hit a golf swing yesterday. But I am sure I will be fine. It is somewhat of a pleasure—and unusual—for me to be sitting on this side of the table in a Senate hearing room. It is appropriate that this committee hold this seminar, and I look forward to the presentations from such a distinguished group. I am happy to say that many of them are already friends and colleagues.

I want to make a few opening remarks. I believe that we should celebrate the ANZUS security treaty, just three weeks shy of its 46th birthday—so he has just made it with this 45 years—as a living and dynamic framework. From the troubled days of the 1950s to the more stable period of today, it has served as a basis for the alliance between the United States and Australia. I have every confidence that the ANZUS Treaty will continue to serve us well as we open new areas of joint endeavour in the 21st century. Among the treaty's positive features are its brevity—only 11 articles—its flexibility and its

adaptability. Like the American constitution, the treaty's focus on principles rather than details has stood the test of time.

We all recognise and appreciate that the ANZUS Treaty was the logical expression of our extremely close security cooperation. That cooperation began from the first time the forces of Australia and the United States were allied in combat—at the battle of Hamel in 1918. Later the Australian commander General John Monash wrote that the Americans were ever after received by the Australians as blood brothers.

The ties established in World War I were greatly strengthened during our common effort in World War II. On General Douglas MacArthur's first day in Canberra, which was 26 March, 1942—that happens to have been exactly 55 years and one day before my first day in Canberra—he told members of parliament: 'There is a link between our countries which does not depend on the written protocol, upon treaties of alliance or upon diplomatic doctrines. It goes deeper than that.' General MacArthur, later the same day, had a chance to observe the House of Representatives in action. As he left the chamber he made the prescient observation, 'If the men of Australia fight as well as they argue, we are certain of victory.'

As a student of history, I am quite impressed by the great leaders on both sides of the Pacific who were instrumental in transforming our wartime partnership of mutual sacrifice into the ANZUS Treaty. On the Australian side, vital roles were played by Percy Spender and Richard Casey. On the US side, Dean Acheson and John Foster Dulles worked with Australia during the formative years of the alliance. Forty-seven years ago, when Dean Acheson was Secretary of State, he addressed the Commonwealth Club in San Francisco. He spoke about Asia. He spoke of a turbulent continent on which half a billion people had just emerged from colonial status into independence. Acheson said that Americans do not want to deny the peoples of Asia any opportunity, any freedom, any right. He said that the basic objective of American foreign policy is to make possible a world in which all peoples, including the peoples of Asia, can work in their own way toward a better life.

Secretary of State Madeline Albright recently, in the same venue, noted that much has changed since Acheson made those remarks but American purpose has not changed. The Asia-Pacific has come a long way indeed in those 47 years, from conflicts to consensus, from starvation to stability, from poverty to prosperity. The ANZUS alliance has been a key element in the positive growth and development of the Asia-Pacific. Prime Minister John Howard recently said in an address in New York:

Australia's close association with the United States has underpinned not only our security but also our stability, but most importantly it has given us an opportunity to share values across the Pacific, to share those fundamental beliefs of personal liberty, of individual effort, of a just society and a belief that it is appropriate always to aspire to the ideal of a better world.

With ANZUS as a keystone, Australia and the United States have a mature

relationship based on shared experience and shared expectations. It is rather like a good marriage. We have a deep affection for each other, we agree almost everything, we are mutually supportive and we manage to work through the small differences. We have been through a lot during the life of ANZUS—Korea, Vietnam, some trade disputes, New Zealand's anti-nuclear laws. Together we have participated in the successful negotiations of the protocols of the South Pacific Nuclear Free Zone Treaty, the Chemical Weapons Convention, the Nuclear non-Proliferation Treaty and the Comprehensive Test Ban Treaty. The partnership works.

Professor Des Ball, whom you will be hearing from tomorrow, has pointed out that the US remains Australia's most important ally, although the nature of the alliance has changed quite dramatically over the past couple of decades. We share technology, intelligence and facilities. There is close cooperation on multilateral and bilateral issues. We welcomed Australian participation in the Gulf War, We are thankful that Australia has participated in UN peacekeeping operations from Namibia to Haiti—I mention those two countries specifically since I have served in both of them—and we greatly appreciate the key role Australia played in Cambodia.

The ANZUS Treaty provides a framework for cooperation in many areas: exchange assignments, ship visits and joint exercises. I arrived here just as Tandem Thrust, the largest US-Australian exercise since World War II, was successfully concluded. Standing on the deck of the aircraft carrier *USS Independence* during its visit to Fremantle gave me a profound sense of the value of the alliance in terms of people, places and purposes. These joint exercises are vital in terms of readiness and interoperability. Australia is the key southern partner in our Asia-Pacific bilateral security arrangements, just as it was 40 years ago.

We will continue our military presence in the Asia-Pacific, in both forward deployed forces and our commitment to maintain about 100,000 troops in the region, for that presence acts as an incentive for continued development, stability and peace.

Our five bilateral treaty alliances are key in providing the stability necessary for political, economic and social development in Asia. If we were to withdraw our forces, the fundamental point of ensuring stability would disappear. There would be a vacuum of power in the Asia-Pacific, leading quite likely to renewed and dangerous armories. There would be a vacuum which other powers would want to fill.

For our part, we continue to be deeply committed to political and economic security in the Asia-Pacific. Australia launched APEC in 1989, and President Clinton added the APEC leaders session at Seattle in 1993. We are both strong advocates of global trade liberalisation, and we are important trading partners, with two-way trade totalling over \$US18 billion in 1996. We are Australia's second largest trading partner overall and the fourth most important market for your exports.

Like Australia, the United States is an Asia-Pacific state. Like Australia, most of our dynamic trade links are in this region, and, like Australia, we are working for the overall security and progress of the region.

I want to stress that ANZUS means a broader alliance, not just a 1951 treaty. An alliance means there is a formal recognition that a special relationship exists. As long as each partner believes it is well served by accepting the responsibilities as well as the benefits, the alliance remains viable.

I have no doubt that both of our countries value highly the special relationship and the broader alliance. Together we are working on new challenges, such as a comprehensive and global landmine ban; the role of the ASEAN Regional Forum in problem solving; search and rescue operations, ranging from stranded sailors in the Indian Ocean to evacuation coordination; and APEC as a dynamic 21st century organisation with enhanced country action plans.

This seminar offers the chance to prepare for the future by learning from the past. The Cold War is over, and our vision encompasses the Asia-Pacific as well as all other continents. Unlike the generation of General MacArthur and Dean Acheson, we face no single galvanising threat. The dangers we confront are often less visible and more diverse, some as new as letter bombs, some as subtle as climate change, and some as deadly as nuclear weapons fallen into the wrong hands. We must take advantage of the historic opportunity to bring the world together in an international system based on democracy, open markets, law, and commitment to peace.

Finally I would like to say that the alliance is not only about a well-written document or a continuing convergence of interests. Just as George C. Marshall knew that there is more to victory than fighting, when in 1948 he said, 'It is not enough to fight; it is the spirit which we bring to the fight that decides the issue. It is morale that wins the victory,' so there is more to our alliance than words.

I cannot conclude without honouring and thanking the men and women of our defence forces and intelligence communities who make the alliance work through their rare trust in each other and their dedication to the task at hand and ahead. They are the true strength and force of the alliance. 'A faithful friend is a strong defence, and he that hath found such an one hath found a treasure.'

SESSION 1: ANZUS TREATY

History of ANZUS Agreement
The Meaning of the Treaty
ANZUS in Context

Dr Peter Edwards
Right Hon. Ian Sinclair, MP
Mr David Spencer

CHAIRMAN - Thank you very much, Ambassador, for such an excellent start. Our first formal session of the seminar aims to define a framework for consideration on which we will build subsequent discussion of the treaty. This session will look at the genesis of the treaty, offer an interpretation of the obligations and implications for its signatories and will examine the current place which ANZUS holds in the network of other treaties which involve Australia, New Zealand and the United States. To commence the definition of that framework I welcome Dr Peter Edwards, the executive director of the Australian Centre for American Studies at the University of Sydney. Dr Edwards has published extensively on 20th century international history, especially on Australian foreign relations, and is the official historian of Australia's involvement in South-East Asian conflicts. This, combined with his extensive work on Australian-American relations, eminently qualifies Dr Peter Edwards to speak on the history of ANZUS.

Dr EDWARDS—Thank you. It is a pleasure to be here and it is a particular pleasure to be speaking immediately after the new American Ambassador to Australia, Ambassador Genta Hawkins Holmes. I want to start my paper by referring to the annual address of the Australian Centre for American Studies which she gave exactly two months ago, on 11 June. It was her first major policy speech on the Australian-American relationship. Invited to survey the current state of that relationship, when many of the traditional bases of close friendship have been supplanted by new challenges, Ambassador Holmes indicated a new agenda. In a nine-page speech she devoted just two sentences to the security relationship and did not mention the acronym 'ANZUS'.

This surprised a number of observers, particularly those whose views had been formed in the 1960s and 1970s, when ANZUS was regarded as the foundation stone not only of the relationship but of all Australian foreign and defence policies. At that time there were two prevailing views of the formation and operation of ANZUS. The more common was that it was the almost inevitable sequel to the defence relationship established during the Pacific war of 1941-45. Many accounts indeed move almost seamlessly from the crisis of late 1941 - early 1942, including the fall of Singapore and Prime Minister Curtin's famous appeal to the United States, 'free of any pangs' as to Australia's relationship with the United Kingdom, to the signing of the ANZUS Treaty a decade later.

According to this view, the treaty marked the transition from Britain to the United States as the primary, almost sole, focus of alliance loyalty for Australia. It similarly marked the transition in the focus of Australian and New Zealand defence planning from Europe and the Middle East to the Asia-Pacific, especially South-East Asia. And it was generally assumed that political, military and diplomatic elites in all three countries

supported ANZUS and all that it implied.

At this time there was also a radical left critique of ANZUS, which was less popular electorally but was strongly articulated in universities and elsewhere. This saw ANZUS as a piece of blatant American imperialism imposed by the United States with the connivance of some Australian and New Zealand lackeys. As intended, it locked the two dominions into what one author called a 'web of dependence', with implications for American dominance not only of Australia's and New Zealand's foreign and defence relationships but also of the full range of their economic and other domestic policies.

In recent times all these views, both the mainstream and the left critique, have been challenged in many ways by diplomatic historians working in the official archives of the relevant countries. I would like now to look at certain aspects of the history of how ANZUS was created and how it operated in subsequent decades, bringing out some of the themes of this recent work. I will be drawing principally on the work of two New Zealand historians, W. David McIntyre and Ian McGibbon, as well as on my own work for the official history of Australia's involvement in South-East Asian conflicts.

First, let us dispense with the view that ANZUS was imposed on Australia and New Zealand by an imperialistic United States. Quite clearly, Australia and New Zealand were the supplicants. They sought a security guarantee from the United States, which was at that time far and away the most powerful nation in the world. The problem was that immediately after 1945 so did many other countries. The remarkable thing in retrospect is that two small countries far from the centres of the world's existing and potential conflicts were able to secure such a guarantee. As the first sentence in Professor McIntyre's magisterial account of the formation of ANZUS puts it, it is a case of 'how two small countries persuaded a very large one to join them in a military alliance which the latter did not really want'.

There was nothing inevitable about it. ANZUS was created by a tiny group of politicians and officials in Canberra, Wellington and Washington against considerable resistance. Many American policy makers were reluctant to see that country overcommitted. The leaders of the US military held that view particularly strongly and, furthermore, were extremely reluctant to give Australia and New Zealand access to their defence planning. This put them in direct opposition to one of the principal motives for those who sought the alliance, especially Percy Spender, the Australian Minister for External Affairs and the principal mover on the Australian side. Even after the ANZUS Treaty was signed, many American policy makers worked not to increase its scope and importance but to limit it. This was done largely in deference to the US military's reluctance to allow the smaller countries much information, let alone influence, on their plans and policies.

The negotiation of ANZUS was therefore not the inevitable recognition by all three powers that their destinies were inextricably linked. On the contrary, as McIntyre has put

it, the treaty was signed 'in particular circumstances to fulfil specific requirements'. Following what was regarded as the catastrophic 'loss of China' to the communists in 1949, a primary goal for the Americans was to ensure that Japan remained in the non-communist camp. This required a 'soft' peace treaty with Japan—the phrase of the day was 'peace with reconciliation'. Australia and to a slightly lesser degree New Zealand were greatly concerned by the possibility of a resurgence of Japanese expansionism and militarism. Their complaints might, in normal circumstances, have been overridden by the United States. But the circumstances were not normal. The Cold War had become a hot war on the Korean peninsula, and for a brief moment this gave the Australians and New Zealanders a highly unusual degree of leverage on Washington's policies in the Far East.

It has quite often been recognised that the Korean War gave Australia and New Zealand the opportunity to press for an American guarantee. It has been less well understood that ANZUS was only possible at a particular time in that war, when the so-called 'volunteers' of the People's Republic of China intervened and almost succeeded in driving the US-led forces of the United Nations off the peninsula. The West was facing one of the grimmest periods in the whole Cold War. Only in that situation was ANZUS possible.

At the outset ANZUS did not have the almost unanimous support that it subsequently had—or appeared to have—among the relevant elites. I have referred to the US military, but they were not the only ones who were uneasy. The Australian military leadership at this time was oriented far more towards London than towards Washington. This reflected the background and attitudes not only of the uniformed services but also of their civilian officials, led by Sir Frederick Shedden, whose emulation of the techniques of the Secretary of the Committee of Imperial Defence in London, Sir Maurice Hankey, led to his being dubbed 'the pocket Hankey'. Shedden and the chiefs of staff were not brought into the discussions that led to ANZUS until late in the day. Much the same was true of the New Zealand military.

At the political level, the lead was taken by the Australian and New Zealand Ministers for External Affairs, Percy Spender and Frederick Doidge. Their respective Prime Ministers, Robert Menzies and Sidney Holland, were dubious about the exercise and much more inclined to look towards Britain. Menzies, for example, gave less than wholehearted support to his adventurous colleague, Spender. He would gladly have settled for the lesser outcome of a presidential declaration of American support for Australia and New Zealand, and he worried that Spender's enthusiasm for the greater goal of a treaty might jeopardise any form of guarantee at all.

The number of references I have already made to Britain will have underlined the fact that the signing of ANZUS did not mark a definitive turning away from the United Kingdom towards the United States by the two South-West Pacific members of the British Commonwealth. Nor did it mean that they were focusing almost exclusively on the Asia-Pacific region instead of their traditional interest in the Middle East and Europe. Indeed,

the preamble to the treaty, which has been circulated, explicitly recognised that 'Australia and New Zealand as members of the British Commonwealth of Nations have military obligations outside as well as within the Pacific Area'. The Australians and New Zealanders were worried about several perceived threats from Asia, including, as I have already mentioned, a resurgence of Japanese militarism; the possible rise of communist—and particularly communist Chinese—imperialism; and also other possible forms of non-communist Asian expansionism, particularly the possibility of Indonesian actions in New Guinea—never far from the minds of Australian policy makers.

But the two smaller countries, especially New Zealand, emphasised that this did not mean a radical change in their loyalties or in their focus of defence planning. They said that they needed an American guarantee in the Pacific in order to—and again the phrase of the day was—'bolt the backdoor': that is to say, to secure them against any Asian threat in the Pacific while they continued to support the Mother Country on the other side of the globe. In the event of a third world war, Britain's role in the agreed global strategy was to deny the Middle East to the Soviet Union. Australia and New Zealand wanted to support this role. As far as they were concerned, the 'front door' was the area that evoked memories of Gallipoli and Damascus, Tobruk and El Alamein; Asian threats came through the backdoor.

At the time of the negotiation of ANZUS, the British Labour government under Clement Attlee reluctantly accepted British exclusion. Shortly after its signing, Winston Churchill and the Conservatives returned to office and tried vigorously to reopen the issue. Churchill even accused Richard Casey—Casey, of all people—of being 'an apostate to the Empire' for failing to support Britain's inclusion. Only with difficulty, and at the cost of some embarrassment to the Australians and New Zealanders, did Churchill accept the new dispensation. Any account of the making of ANZUS, and of its operation for some considerable time, is a story involving four countries, not three.

It is worth making the wider point that in all four of the relevant countries around this time elections replaced governments of the centre left with those of the centre right. In Australia and New Zealand this change took place at the end of 1949, in Britain at the end of 1951 and in the United States soon thereafter. The negotiation and signing of ANZUS took place in the interval between these dates, and only in that narrow timeslot was there the constellation of policies, personalities and world events that made the signing of the ANZUS Treaty possible.

In the years following the signing of ANZUS, it did not have the predominant status in Australian and New Zealand defence and foreign policy planning that it later acquired. In the 1950s and early 1960s it was only one of a number of overlapping defence alliances and agreements under which the two Tasman nations operated. These included: ANZAM, an Australia-New Zealand-British agreement made in 1949 concerning the defence of the Malayan region; the Five Power Staff Agency—the US, Britain, Australia, New Zealand and France—which, for a brief but critical period in 1953-1954

was a key forum for Western policy over Indochina; the South East Asia Treaty Organisation, SEATO, formed by the Manila Pact in 1954; and the British Commonwealth Far East Strategic Reserve, formed by Britain, Australia and New Zealand in 1955, to coordinate the three Commonwealth countries' forces in South-East Asia against the possibilities of a major threat from China.

These alignments, rather than ANZUS, formed the context in which the defence planners of Australia and New Zealand worked in the 1950s and early 1960s. They continued to find it easier to exchange information and plans with their counterparts in the United Kingdom than with those in the United States, although they were well aware that everything they planned was ultimately contingent on American support. The definitive change in focus away from the Middle East towards South-East Asia did not take place until the formation of the British Commonwealth Far East Strategic Reserve in the mid-1950s, a few years after the signing of ANZUS, and quite separate from it.

The New Zealanders were somewhat slower than Australia to remove the forces that both countries had stationed in the Middle East and the Mediterranean, but Menzies' prominent involvement in the Suez crisis of 1956 indicated that he at least still believed that Australia's principal obligation was to support Britain's defence of what was often called 'the imperial lifeline'.

The actual fighting in which Australia and New Zealand were involved in South-East Asia in the 1950s and early 1960s—in the 1950s, in particular—was to support its Commonwealth partners, Britain and, after 1957, the newly independent Malaya, in what was known as the Malayan Emergency between 1948 and 1960. The Australian and New Zealand troops involved were those committed to the Commonwealth Strategic Reserve fulfilling its secondary role, the primary role being to deter and counter Communist aggression in South-East Asia. In 1959 Australia and New Zealand associated themselves with the Anglo-Malayan Defence Agreement of 1957, under which the Commonwealth countries continued to offer defence support to independent Malaya.

When the states of Malaya joined with Singapore and two British territories on Borneo to form the Federation of Malaysia in 1963, the agreement was extended so that the defence support of the UK, Australia and New Zealand covered the new federation. When Indonesia's President Sukarno declared a policy of 'Konfrontasi', or confrontation, against Malaysia, the forces of the three Commonwealth countries fought alongside those of Malaysia. Thus in two relatively small but quite significant conflicts in South-East Asia in the 1950s and early 1960s, Australian and New Zealand forces operated not under ANZUS but in a Commonwealth context.

As far as planning for any wider regional conflict was concerned, the important framework was SEATO, not ANZUS. In the late 1950s and early 1960s great effort was expended on a series of SEATO plans, each based on a particular hypothetical contingency involving communist hostility. The crucial test of SEATO came with the succession of

crises in Laos between 1959 and 1962. On three separate occasions—once in 1959 and twice in 1961—the Australian cabinet resolved that it would be prepared to go to war in Laos either as part of a SEATO contingent or to support the United States alone.

In the eyes of most observers around the world, Laos proved that SEATO members were far too divided to allow the organisation to be effective or credible, but the Australians continued to attempt to breathe life into the organisation for some years. They much preferred that any intervention in South-East Asia should be as part of a multilateral force, including Asian partners, rather than solely in a ‘white men’s’ alliance with the United States. An additional motive appears to have been the thought, perhaps based on recollections of General MacArthur in Korea, that an American commander of a Western force in Laos would be less likely to precipitate nuclear warfare if he were responsible to a multilateral command such as SEATO than if he answered to Washington alone.

While the Manila Pact that set up SEATO was being negotiated, John Foster Dulles, who had been the principal American negotiator of ANZUS on behalf of a Democrat President, had become the Secretary of State in a Republican administration. Far from exhibiting paternal pride let alone imperialistic ambitions for ANZUS, he suggested that when SEATO was formed ANZUS might be allowed to go out of existence. His Australian and New Zealand counterparts immediately rejected the notion.

Nevertheless, around this time ANZUS was far from prominent in defence thinking and planning. The ANZUS Council, its principal body, did not even meet between October 1959 and May 1962. When it did meet in 1962 and 1963, however, it had considerable significance for the involvement of all three countries in what was becoming the focus of the world’s attention—the worsening conflict in Vietnam. ANZUS was acquiring a new importance but once again ‘in particular circumstances to fulfil specific requirements’.

At the ANZUS Council meeting in May 1962, the Australian Minister for External Affairs, Sir Garfield Barwick, vigorously interrogated the US Secretary of State, Dean Rusk, as to whether the United States was prepared to stay the course in Vietnam. This was a reflection of Australia’s continuing concern to gain access to what it called the ‘inner political thinking’ of the United States as well as, ironically, as it now seems, a fear that a Democrat administration might be ‘soft’ on Asian communism.

In the face of Barwick’s forensic aggression, Rusk somewhat testily insisted that the United States was standing firm and deserved more support from its allies. This led directly to the dispatch of the Australian Army Training Team, Australia’s first military commitment to Vietnam, as well as a squadron of RAAF fighters to Thailand.

By 1963, after Indonesia’s confrontation of Malaysia had begun, Australia and New Zealand were placed in a major dilemma. One of what Menzies called its ‘great and powerful friends’, the United Kingdom, was leading the fight against confrontation but was most reluctant to become militarily involved in Vietnam, and that reluctance would

only increase when the Conservatives were replaced by a Labour government in 1964.

But the other great and powerful friend, the United States, was much less concerned about any threat from Indonesia while being deeply worried about Vietnam. The link between the two emerged most clearly at the June 1963 meeting of the ANZUS Council. The American representative, Averell Harriman, was pressed by Australian ministers, especially the Deputy Prime Minister, John McEwen, to say under what circumstances ANZUS guarantees would apply to Australian forces fighting against the Indonesians. Harriman was reluctant to be specific, saying this was a 'grey area', but indicated that much would depend on the support that Australia gave the United States elsewhere.

The discussion moved immediately to Vietnam, where Harriman said that Australian and New Zealand involvement made it much easier for the President to gain congressional support for his policies. This is an often overlooked part of the background to what has been called the 'apotheosis' of ANZUS, Australian and New Zealand involvement in the Vietnam War. Both countries were more concerned about Indonesia and confrontation than about Indochina, but they wanted to be sure of American support under ANZUS if confrontation escalated to a major conflict. The Americans made this conditional on Australian and New Zealand support for their role in Vietnam.

The desire to be sure of American support for the Commonwealth countries in the region from the Malayan peninsula through Indonesia to New Guinea was a recurring theme in Australian policy and was a major force behind the Australian commitment to Vietnam. New Zealand was particularly reluctant to be involved in Vietnam, but feared the consequences for their security under ANZUS if Australia supported the United States in Vietnam and they did not. In this way ANZUS, although not formally invoked, was associated with the involvement of the two Tasman nations in Vietnam, but too often the specific link with confrontation and Indonesia is overlooked.

Timing, as always, was crucially important. The Australians and New Zealanders committed combat forces to Vietnam in April-May 1965. The events of the night of 30 September-1 October 1965 in Jakarta and their aftermath totally and bloodily transformed the political landscape of Indonesia—among other things, bringing to an end confrontation in August 1966. This undermined much of the strategic logic for the involvement of Australia and New Zealand in Vietnam. But by the time this became clear the Vietnam commitment had taken on an inexorable momentum of its own. The combat forces of all three countries were not withdrawn until the early 1970s, to be followed by the fall of Saigon in 1975.

Much of the post-1975 history of ANZUS, on which I will touch only very briefly, may be seen as a reaction to the experience of the Vietnam War, which had come to be seen by many as a mistake and by some as immoral. The radical left critique of ANZUS at this time gained more adherence than it had previously acquired, augmented by the

suspicion on the left of the Australian Labor Party that US intelligence agencies had been complicit in the sacking of the Whitlam government. The deployment of a new series of intermediate range missiles in Europe in the early 1980s by both the United States and the Soviet Union revived fears of nuclear war and led to the formation of a nuclear disarmament party in Australia.

In this atmosphere New Zealand in 1984 elected a Labour government which opposed the admission to New Zealand ports of nuclear armed or nuclear powered ships. A crisis over the USS *Buchanan* in 1985 evoked both these new fears of the 1980s and the old, traditional Anglophilic suspicion of the United States, leading to the defection or exclusion, according to one's point of view, of New Zealand from the trilateral alliance.

In Australia, by contrast, key ministers in the Labor government, especially Bob Hawke and Kim Beazley, worked hard against the Left to preserve the Australian-American alliance. From the political perspective the alliance was a useful deterrent of which any potential aggressor would have to take note. By this time, as we have heard, ANZUS had come to be seen as not just the treaty but a network of agreements and installations, mostly but not exclusively military, which had been developed since the late 1950s, to a much greater extent in Australia than in New Zealand.

The Australian defence, diplomatic and intelligence agencies were now among the strongest supporters of the alliance, pointing to the value of access to American intelligence sources, American technology and American weapons systems. Against the criticism of the Left that the joint facilities at Pine Gap, Nurrungar and North West Cape might be targets in any Soviet-American nuclear exchange, the government argued that they helped to monitor arms control agreements and thus contributed to global stability. At the same time, Australia kept in place strong links with New Zealand, so that a trilateral alliance was in effect replaced by two bilateral relationships—US-Australia and Australia-New Zealand.

The United States was also responding to the experience of Vietnam. President Kennedy's famous assurance in 1961 that the United States would 'pay any price, bear any burden . . . to assure the survival and success of liberty' was replaced within a decade by President Richard Nixon's Guam doctrine, indicating that America's allies would have to do more in their own defence before they could expect the United States to intervene in support. In the 1980s President Reagan's Defense Secretary, Caspar Weinberger, further codified the principles under which the United States would decide whether or not it would intervene in support of its allies. Australia, like America's other allies, was put on notice that Washington would help those who help themselves.

ANZUS was thus reinvented in the 1980s as virtually two bilateral alliances—and apparently meeting many of the needs of all parties. Last year, in 1996, the AUSMIN talks, the successor to the former ANZUS Council, demonstrated that the Australian-American military alliance was so strong that both countries were finding it hard to

suggest ways in which it could be augmented. But, as I noted at the outset, the American administration is now indicating that issues such as the environment, health, trade liberalisation and international crime have higher places on the agenda than traditional military security. ANZUS was invented to meet one set of circumstances in 1951; it has been reinvented and reshaped several times since then to meet changing needs and changing circumstances. The question now is whether it can be reinvented once more to meet the demands of the 21st century and the treaty's second half century.

CHAIRMAN - Thank you very much, Dr Edwards. Our next speaker needs no introduction. The right honourable member for New England, Ian Sinclair is the longest serving member of the Australian parliament. He has held numerous senior ministerial appointments, including being Minister for Defence. He is currently the Chairman of the Joint Standing Committee on Foreign Affairs, Defence and Trade. His previous and current appointments and longstanding interest in the topic have provided him a privileged perspective of the treaty over a long period. We are very fortunate that he has agreed to share with us this morning his views on the meaning of the ANZUS Treaty.

Mr SINCLAIR—Thank you, Mr Chairman. Madam Ambassador, fellow speakers and ladies and gentlemen: a politician's perspective on most things normally comes somewhat diluted as it really is influenced by the forum in which it is presented. I am delighted today to be able to make some observations on what I see as the meaning of ANZUS as it comes from one who is a practising politician. I recall as Minister for Defence visiting countries in an entirely different context to those early portfolios I have enjoyed and being received totally differently.

It is interesting that in the defence world there is a relationship that is both personal and professional. It is one that is based on trust and to a greater degree I found in contrast to those that are more commercially oriented there is a preparedness to listen to the other fellow's point of view. Today I want to look at the evolution of ANZUS, following as it does on the history that Dr Edwards has presented, and explain to you a little of how I see the future.

As far as the development of ANZUS, there is little doubt that in the traumas that faced our country during 1939-45 there had been a feeling that the British relationship had somehow let us down. Without going into the aftermath of the fall of Singapore and the defeat there, the decision by then Prime Minister John Curtin to form that new alliance with the United States represented a significant change in the attitudes, views and prejudices by people within Australia. The decision by the Menzies coalition, as it was in 1949, in the pre-election policy speech to launch new initiatives to put on a more permanent basis relationships in that postwar era was the genesis, as Dr Edwards again has explained, of the negotiations concluded in 1951 and executed in 1952, of the ANZUS arrangement.

As Dr Edwards has suggested, the original proposal had embraced the thought that

Britain, too, might be part of the ANZUS arrangement. In any event, because of the extent to which Australia and New Zealand were concerned about the character of the peace treaty about to be negotiated with Japan, the ANZUS Treaty reflected a number of particular understandings to Australia and New Zealand. The actual terms of the ANZUS arrangement, as the Ambassador has explained, are brief. The central commitments are those under Article II for self-help and mutual assistance to develop the capacity to resist armed attack and, under Article III, to consult in the event of a threat to the security of any of the parties in the Pacific. Articles IV and V commit the partners to act to meet armed attack on any of them in accordance with each other's constitutional processes.

These obligations have been analysed on a number of occasions since this negotiation. The degree to which there is a binding obligation on either party is one which varies a bit in interpretation and according to many according to the particular persuasive capability that exists within and between the personalities in office at any time in the two administrations.

In his 1986 review of Australia's defence capabilities, Professor Paul Dibb—who is going to talk to us later—picked up the extent to which, from Australia's point of view, there are doubts about the guarantees. In that review, he pointed out that there are no guarantees inherent in ANZUS and, as a consequence he argued that the US-Australian relationship cannot be used as the basis for Canberra's defence planning.

If one has a look at the evolution of events in our region since the end of World War II, the colonial regimes which existed pre-World War II have now been totally transformed. The evolution of the tigers of Asia with some of their neighbours still lingering in the aftermath of World War II and the Indo-Chinese Wars, as well as the traumas of the post-colonial period are at the core of both the human rights and defence interests that are today Australia's prime regional concern. At this stage, our attitude to defence on both sides of politics is still set by the Defence white paper which was presented in 1987 by the Labor Government. Although there are new strategic basis and white papers being developed, they are yet to be released.

Essentially, the 1987 white paper drew on the Dibb report. The White Paper changed the Dibb emphasis and it is said that this followed discussions between the United States and Australia. While numbers of us were and have been critical of aspects of that Dibb report, it is worth while looking at the emphasis placed on Australia's security interests as they were expressed in that 1987 white paper.

Essentially its focus for the defence task was the defence of Australia's territory from low level to medium level military attacks, the protection of Australia's offshore territories, maritime surrounds and focal points—airports, sea lanes and ship ports—and the furthering of our favourable strategic situation in South-East Asia and the south-west Pacific. Australia's overseas aid program contributes to a stable regional environment but it is also true that there is a wider strategic situation—to which I wish to refer directly—

which takes into account problems relating to territorial boundaries and to regional divisions within countries, particularly in our two closest neighbours, Indonesia and Papua New Guinea.

The white paper continued by recommending that we promote a sense of strategic stability in Australia's area of strategic interest, avoid global conflict, maintain defence relations with Washington, maintain the Antarctic treaty and act—by means of the non-proliferation treaty, the South Pacific nuclear-free zone treaty and the comprehensive test ban treaty—to limit nuclear proliferation.

Ten years on there have been significant changes and developments in the strategic situation as it faces Australia and in our defence position. There is little doubt that the severing of the New Zealand membership of ANZUS created strains on both sides of the Tasman in terms of our defence relationships with the United States. As Dr Edwards has explained, the result has been that, instead of a single defence agreement in ANZUS, we now have two—that with New Zealand and that with the United States—essentially functioning on a separate basis. That with New Zealand embraces a different level of training and exercising—and some material exchange, effected in the recent acquisition of the ANZAC vessels by the Royal New Zealand Navy—and also involves considerable dialogue at a professional and at a ministerial level. Since the change of government, one of the early visits of the new Minister for Defence, Ian McLachlan, was to New Zealand to talk about that defence arrangement. In addition, there are a number of other multilateral organisations, one of which the Five Power Defence Arrangement embraces New Zealand and in which Australia is involved.

As far as Australia's general approach in the post cold war era goes, the evolution of this Five Power Defence Arrangement, which involves New Zealand, Australia, the United Kingdom, Malaysia and Singapore, is an ongoing commitment in which both nations have maintained an active role. From Australia's perspective and, I believe, from both sides of politics, the Five Power Defence Arrangement is as important to Australia as the ANZUS Agreement. It embraces two regional countries of great importance to us. In recent times, Foreign Minister Alexander Downer has spoken of other regional security dialogues. As well in the closing days of the last Government a defence arrangement with Indonesia was negotiated establishing our mutual interest in security issues and ongoing dialogue.

Since then new bilateral regional security dialogues have been announced by Alexander Downer with the Philippines, Thailand, China and prospectively with Vietnam. All of these enhance but do not replace the Five Power Defence Arrangement in terms of our particular concerns for regional security. Behind each lies the fact that as a member of member of ANZUS/Australia's over relative significance is enhanced.

I now want to look at how ANZUS affects us in the future and the extent to which, while a member of these other bilateral and multilateral forums, ANZUS has a significant

relevance for Australia for the future. As far as the electorate is concerned, I think there is little doubt that the flow-on effect of trade negotiations, about which David Spencer is about to speak, and the impact of those on domestic attitudes perhaps has greater import if peace is preserved.

For some, just as in early days of the Hawke administration, there are today doubts about the relevance of ANZUS as a treaty in which Australia should play a part. Most of you would have noted the former Prime Minister Malcolm Fraser, a few weeks ago in the *Australian* newspaper, suggested that no longer was there a reason for Australia to worry about ANZUS. He suggested that the United States commercial interests in this region, as indeed those in Europe were such that the United States could not afford to withdraw from either. I disagree and believe for the future the contractual obligations of ANZUS have as much relevance as they had in the past. If one has a look at the meaning for Australia of the ANZUS agreement, we can see the reason why.

Before I do so, I think it is also worth commenting that at the summit meeting in Madrid held only a few weeks ago, after about eight weeks of relative uncertainty as to what was going to happen to the NATO agreement, the members of NATO decided that there should be an extension of membership—Poland, Hungary and the Czech Republic are to be brought into the NATO arrangement. It is said that the cost over the next 13 years of bringing those three countries into the NATO agreement is going to be somewhere between \$25 billion to \$33 billion. Those countries were members of the Soviet bloc and their defence systems, communications and command structures are totally dissimilar to those of the Western alliance. That cost to integrate those countries into NATO, demonstrates—if outside an ongoing military arrangement—the high cost of having to return or, in this instance, become part of an alliance.

It is also of interest that that NATO summit did consider, as you will recall at the suggestion of the French, that there should be another two countries—Romania and the Slovakian Republic—also included. As a result of the final conclusions or the communique, only the three countries were added, but it does mean that in Europe there is still seen to be a relevance in multilateral defence agreements. That conclusion has a significant relationship to present realities in our part of the world and a rebuttal to Malcolm Fraser's suggestion of the inevitability of US commitment and a re-affirmation of the relevance of ANZUS for us.

Equally, there are those, for example in New Zealand, who have taken their separate decision against ANZUS on the basis of visits of vessels and non disclosure as to whether they were carrying or were not carrying nuclear arms. As a result, New Zealand has no longer been a participant in the ANZUS intelligence arrangements, nor in strategic excises, from the days of the then Prime Minister David Lange until today. The only area of continuing involvement, I understand, is long-range maritime patrol aircraft which still pursue patrol tasks in parts of the South Pacific.

We should look then at Australia to see the advantage for Australia of ANZUS, why Australia should remain committed without New Zealand in spite of concerns that from time to time have been expressed about the subjugation of Australia's national responsibilities within the ANZUS arrangement—in short why ANZUS is to Australia's advantage. From a political point of view, I would list the reasons as follows: the first, and probably the most significant, to my mind, is that it provides a major link for Australia with the principal member of the Western alliance. There is no doubt that, in our attitudes, views and international commitments in peacekeeping and multinational forces, our membership in the Western alliance is of enormous significance to us—although perhaps not as always vocal as the United States where human rights are central to their international advocacy. That aside, in promoting human rights and to ensure that there is an opportunity to contain aggression in whatever form and promote world peace, membership of the Western alliance is essential.

For a non-nuclear country like Australia wishing to develop some capability against chemical and nuclear warfare, a link with a major nuclear power is essential. In the CTBT negotiations, the nuclear non-proliferation treaty and the anti-chemical warfare convention, it is absolutely critical that we have that ongoing partnership which gives us a chance to exercise a special voice—if only because it is a shared one—through our contact with the United States.

The defence partnership also provides a second major advantage to Australia, and that is in the opportunity for members of the Australian Defence Force on exchange to participate in a much larger defence force than our own. It enables the ADF to stretch its national capability in joint exercises and while in any future conflict there may not be an absolute certainty of United States involvement as Professor Dibb has enunciated, it does mean that Australia has an enhanced opportunity to assess how, with the exercise of military force, power can be best applied in a particular defence situation.

Secondly, and following on from that, the advantage for the ADF of access to the most advanced technology, opportunities for materiel acquisitions from the United States remain an enormous advantage to Australia. Under successive administrations in Australia, there has been a wish not to become too technologically dependent. But, in these days of incredible advances in technology and the application of technology to military hardware, I believe the link with the United States is invaluable to us. Without that, we would find it very hard to maintain optimal knowledge of where Australia should direct its priorities in designing a modern defence force to face the unexpected exigencies of the future. That of course applies to materiel purchases and, even more so, in terms of our domestic design capability, in platform acquisitions particularly aircraft and the Collins submarines and ANZAC frigates, there is a need for us to be linked with other nations in order to maintain an equipment edge for the Australian Defence Force.

There is also the command and training experience that flows from our association with the United States. In command, control, communications and intelligence—about

which Des Ball is going to speak later—there is a significant advantage in the US link. The problem in the intelligence lies only in the extent to which there is an independent capability within Australia, in the number and range of linguistic skills of Australian analysts. This is one of the most significant of the challenges we have to take full advantage of the US-Australia intelligence links.

There are other products of our ANZUS membership from which Australia should take advantage for the future. An example is the partnership through ground stations in space exploration. There are as well other advantages—perhaps not directly through ANZUS but certainly as a flow-on from ANZUS—that give Australia a meaningful reason to look to ANZUS as important for Australia's future.

From the United States' perspective too, viewed politically, there are advantages in the ANZAC partnership. Australia is a stable democracy. The rule of law, an open press and our shared traditions with a similar history and common language mean that there is more than a superficial capacity to speak together and understand the purport of each other's intent.

We are geographically on the other side of the world. Perhaps of all Australia's advantages to the US our geographic location is the most significant. Given the ongoing explosion in economic development in Asia, the changes that are taking place there and the inherent instability in some parts of that region, our geography is of enormous advantage for the ANZUS partnership. Indeed, the fact that controls for a stage of the Mars probe the other day were exercised from Australia, the fact that, in intelligence terms, we can still look into that part of the globe hidden from the US, the fact that on the North West Cape there is still a capacity to send signals across half the globe, that being the half of the globe which the United States finds difficult to access, add to a very significant reason for ANZUS membership by the United States.

Of course, again, there are advantages in the nature and character of the Australian Defence Force. For all that we are downsizing—which create problems for us to a greater degree, I believe, than for the United States—with the flow-on of the Defence Reform Program still to be proved and with the questions about the exact nature of the ADF after the DRP and the extent to which savings can provide more funds for additional materiel acquisition, we do have a highly skilled, a highly motivated, a highly reliable, a highly trustworthy and a very dedicated Australian Defence Force.

It is of interest that beyond ANZUS, the United States and Australian defence forces have shared in nearly every major conflict and peacekeeping mission, except for those in the Middle East, and in Bosnia since the end of World War II. Australia enjoys valuable additional and different international relationship to those of the United States. We enjoy a different relationship with Japan, for example. We have a different relationship with the countries of ASEAN. We have a special relationship not only in Asia and the Pacific but within the Indian Ocean. I think these are all advantages which, from

the perspective of the United States, mean that there are significant benefits in ongoing membership of ANZUS for the Americans too.

The strength of ANZUS is based not on its long history but because it is constantly changing and adaptive. Its strength is not from a legalistic interpretation of the Treaty but in the advantage it offers for both nations to interact in the other's sphere. From Australia's point of view, and the ultimate advantage of an ANZUS for Australia, is the special contact it gives with the Americans. It is many years since the Coral Sea battle saw that incipient partnership as a critical element in the defeat of the Japanese southward thrust into the Pacific and ultimately the ending of the war in the Pacific. But those same elements of trust, confidence and co-operation are as essential for tomorrow as they are for today.

There are many areas of instability in our region—from the Spratleys to Bougainville, to East Timor and to some of the boundary disputes between the countries in our area. There are problems with human rights abuses in Cambodia and in Burma. There are difficulties in understanding to what degree regional divisions within some countries are going to threaten present national borders.

There are stresses too that will emerge as the economy of the world becomes more and more globalised and as communications thrust us into that different realm which ensures instant communication over the Internet in a way which was but a dream a few years ago. In that environment I believe the meaning politically for Australia is still that ANZUS remains at the core of our international arrangements.

CHAIRMAN - Thank you very much, Mr Sinclair. To complete our initial examination of the treaty, it is necessary to set ANZUS in the context of wider networks of treaties which bind its individual signatories. To address this topic, I am pleased to welcome Mr David Spencer of the Department of Foreign Affairs and Trade. Mr Spencer has previously held the position of Deputy Chief of Mission at the Australian Embassy in Washington, and is currently the First Assistant Secretary of the Americas and Europe Division at DFAT. As his position has given him the opportunity to review the implications of the treaty from the viewpoints of two of the three signatories, I now have very much pleasure in inviting Mr David Spencer to address the seminar.

Mr SPENCER—Thank you, Chairman. Ladies and gentlemen, Dr Peter Edwards suggested a few moments ago that it was perhaps time to reinvent or reshape ANZUS. Others, as Ian Sinclair pointed out a few moments ago, have suggested that ANZUS is no longer necessary at all: that it was designed to deal with a Communist threat that no longer exists and that it now constrains our full political engagement in the region. It has also been suggested by some that the alliance relationship detracts from our capacity to confront the US on non-defence issues which are important to us, such as trade.

In outlining this morning the government's view on ANZUS's place in

contemporary Australian foreign policy, I want to challenge these assertions. The advocates of ANZUS's termination challenge the proposition that the end of the Cold War has brought about a more complex and uncertain strategic environment, both globally and regionally; or at least they challenge the view that military alliances are the most appropriate mechanism for managing these new circumstances.

At the global level we have moved from a bipolar to a multipolar world, although the reality is that one power is pre-eminent. The serious risks of proliferation of nuclear, chemical and biological weapons of mass destruction, along with their means of delivery, endure. Admittedly, progress has been made in some of these areas through agreements on SPNFZ, NPT, CWC and the comprehensive test ban treaty, but the control of nuclear technology and the widespread availability of conventional weapons continue to rank as major challenges to regional and global security.

We should not underrate the impact of non-military threats to security, such as environmental damage and the international drug trade. In our region it is undeniably true that many things have changed since 1952. The nations of the region are developing more confident and assertive attitudes towards defence and security issues—and, indeed, across the board. China's influence and standing is expanding, as is its impact on regional developments. These trends are shaping Australia's strategic environment. There is every chance that we could be facing a security environment more benign than ever. But at the same time it could be more dynamic and challenging. At a time of changing regional power relativities, we should not be taking anything for granted.

The government believes it needs a combination of tools to achieve the outcome it wants in terms of a favourable security climate in our region. No one policy measure alone is likely to do the job. Unlike Europe, the Asia-Pacific region does not have a long-established pattern of security and defence dialogues and cooperation. Environments in both regions are changing, but the dynamics we face in our region are qualitatively different than in Europe. In this situation of strategic fluidity and changing power relativities, the government sees a multifaceted approach as that most likely to advance Australia's security interests—one which involves an overlapping web of bilateral and region-wide alliances and dialogue mechanisms, designed to bring about intensive contact and consensus towards a shared regional security objective.

The US has played, and continues to play, a major role in the Asia-Pacific security. But domestic pressures in the US for a peace dividend, its withdrawal from the Philippines and a US expectation of greater burden sharing by allies have prompted concerns in some quarters about the longer term commitment of the US to the region—although we heard again a reaffirmation this morning by Ambassador Holmes that the US is determined to continue with its commitment to forward deployment and maintaining about 100,000 troops in the region.

From the viewpoint of the government, the United States' presence in the Asia-

Pacific is just as important now as it was during the Cold War. We can look back over the past 50 years and take satisfaction in the fact that, by and large, the region has enjoyed a stable security environment, one which has enabled the countries of east Asia to enjoy an economic boom of immense proportions. Much of the credit for that sustained period of strategic certainty can be attributed to the US which acted as the guarantor of stability in the region.

The question now is: should the US go on playing that role and is it willing to do so? I think there is general support within the region for the continuation of the US's role. Some state it publicly; others do not. As the world's only remaining superpower, and the only country with global military reach, it can play the role of a balancing wheel, overseeing regional security and underpinning stability. Provided the quality of the US regional engagement remains in tune with the views of the countries of the region, there is every reason to support continued US presence and engagement.

The region is going through a period of transition—hopefully towards a region with a defined sense of its identity and strategic and economic future. But it is by no means clear how long this transition will last, nor is it entirely clear what the end point will be. But it is our clear view that, whatever the time frame, military alliances will remain the bedrock of regional security cooperation for a long time to come. There is evidence to suggest that they are as important and relevant in times of great change as they are in periods of direct strategic threat. Alliances, it should be noted, are not static; nor are they an end in themselves—they are a means to an end of enhancing national security. If their constituent members agree, they can be changed to meet new circumstances and address new challenges. In Europe, as Ian pointed out a few moments ago, where circumstances have changed, NATO is evolving and being strengthened. That shows that NATO members have decided that the very things that made the alliance so valuable to Cold War Europe continue to make it valuable as Europe redefines its security needs.

The United States and Japan are reviewing their defence cooperation while continuing to acknowledge the crucial stabilising role that their defence relationship plays in the region. In the same way, Australia is approaching its alliance with the United States as capable of adapting to the changing Asia-Pacific strategic environment and continuing to make a major and enduring contribution to the region's strategic evolution in a positive direction.

The alliance remains our most important strategic relationship. Whilst our defence posture is crafted around the principle of self-reliance, it remains bedded within the alliance framework. The US provides us with access to critical technologies and intelligence as well as logistic support vital to our defence readiness. Without that input Australia's defence posture would be very different—and far weaker. And it is not all one-way traffic. Our relationship with the United States delivers benefits to both countries, providing the US with a close partner sharing the burden in an increasingly important and

dynamic region.

The approach of successive Australian governments has been to promote integration in the region—we have done so actively in APEC and the ARF, the two regional groupings which include the United States and all the main players in east Asia. It is in this context—our integration into the region—in which the government has sought to reinvigorate relations with the US and the context in which it sees ANZUS operating in future. In other words, ANZUS forms a part of a network of mutually reinforcing security arrangements in the region which, amongst other things, facilitate a level of US security and economic engagement which can contribute to the maintenance of broader regional growth and security.

In focusing attention on the alliance with the US last year the government recognised that the bilateral security relationship was in good order and the cooperation between the two militaries already very close. The focus, therefore, was on ensuring that the alliance remains relevant to both Australia and the US—in particular to ensure the alliance plays a constructive part in promoting regional security and is accepted by the region as so doing.

The emphasis has been on invigorating the alliance in terms of the interests the two countries share in promoting peace and stability in the Asia Pacific and on enhancing our ability to undertake combined operations and contribute to a positive regional security climate. It is important also to recognise that the alliance has a positive part to play in keeping the US engaged in our region. At a time when there are sceptics in the US about international commitments, we have much to gain by signalling clearly to the US that we place a high value on its engagement in the region; and maintaining a strong relationship that we are prepared to build on.

Last year's AUSMIN consultations held in Sydney were a major step forward in the redefinition of the alliance. The joint security declaration issued at the end of the consultation, the 'Sydney Statement', repositioned the alliance in the region, setting an agreed agenda. It identified three key elements which both Australia and the US see as critical for achieving our common goals. The first of these is the US's comprehensive engagement in the region, including through bilateral alliances and relationships and the forward deployment of forces. This objective clearly has dimensions much broader than the security relationship—constructive US relationships with the region and with key regional countries are vital. On the basis of our own strong links with the region and our close ally status, we have a robust dialogue with the US on the way it deals with the region.

The second element is strong and constructive bilateral relationships in the region. The US-China, US-Japan and China-Japan relationships remain crucial to broader regional security. The government strongly supports the efforts of the US and Japanese governments to strengthen the security treaty between their two governments as a critical

factor in the regional security equation. The US-China relationship will be the most important in the world in the 21st century and the two countries need to arrive at a *modus vivendi*. But other countries, including Australia, can help by making clear the stake we have in the relationship and by assisting them to deal with the important issues between them.

The third element, fostering multilateral processes, is an area in which the US can and should be an active player. These processes, notably the ASEAN Regional Forum and, in a different sense, APEC—although still at an early stage of development—can complement the web of bilateral alliances in the region and contribute over time to greater regional security.

ANZUS remains at the core of the Australian-US relationship. It bestows a particular status on Australia in Washington which applies particularly to the defence and security area—but it also goes beyond that.

Some commentators, such as former Prime Minister Fraser, have suggested that the alliance detracts from our ability to challenge the US on trade issues. The reality is that our trade related difficulties with the United States have more to do with the power imbalance between the two of us and the lack of our negotiating leverage. There is certainly no evidence to suggest that we would do better in our access to the US market if we scrapped the alliance. If anything, the alliance—drawing as it does on the shared wartime experiences—is a net plus on the non-military side of the relationship because it provides a level of profile and goodwill which maximises our chances of getting a good hearing, if not always positive outcomes.

The alliance remains for many Americans the measure of the extent to which Australia shares value and history with the US and has been prepared to stand with the US when those values have been put at risk. But there is no question that the relationship is now much more complex than it was back in the 1950s. Not only has our bilateral agenda broadened considerably, our trading and investment relationship is now substantial and carries its own share of challenges. And we no longer have the natural wartime generational linkages to guarantee ongoing close relations.

While ANZUS remains at the core of the relationship, the entire relationship is evolving, just as ANZUS is evolving, in a new direction, one which reflects the changes that have occurred in the world around us. But, as I have said before, it is not a static alliance. Together we are crafting a new alliance relationship which will aim to advance a strong and stable Asia-Pacific region in which both countries' interests can be advanced.

Australia's relationship with the US, including the alliance, remains fundamental to our national interests. Bilaterally, the US is a crucial security and economic partner. Regionally, the US remains central to the Asia-Pacific's future stability and prosperity. And, globally, the US is integral to the successful functioning of the global system. The

US is still the only nation, either acting alone or leading a coalition of allies, capable of restoring stability in global situations. ANZUS is a key component of the bilateral relationship and it gives us influence over the US approach to strategic issues, particularly in the Asia-Pacific region we share.

CHAIRMAN - Thank you very much, Mr Spencer. We have actually picked up 10 minutes, which is excellent, and we now move into the question time for this session. At the outset, I would ask anyone who wishes to ask a question to give their name before they speak because this will be the identifier we need for the published transcript of the proceedings. The other point I would make is that morning tea is available outside. We do not have a formal tea break. I now call for the first questioner.

Mr BROOKE—I am from the ANU Strategic and Defence Studies Centre. I have a question for Ambassador Hawkins Holmes. Given that New Zealand's exclusion from ANZUS is based on its anti-nuclear stance, can you not see a contradiction with the US and ANZUS support for the South Pacific Nuclear Free Zone Treaty?

Ambassador HOLMES—First of all, let me say that the term we use in referring to New Zealand's membership in ANZUS is 'suspended'. That is the way we refer to it in the United States. I am trying to think how I can respond to your question. I do not see a conflict; otherwise it would not have happened, I can assure you. I think there is a difference between not wanting nuclear testing in the region and not having access to ports for ships of the United States Navy. I think they are really two very different issues.

Dr TOW—Peter, I thought your historical tour de force or tour de horizon was excellent. I am wondering about two specific issues. The first deals with the fact that you correctly indicated that Australian strategic emphasis was towards the Commonwealth or the empire and I guess particularly towards the Middle East prior to 1955. As I understand it, Australian and New Zealand ground forces in particular were earmarked towards potential Middle East conflicts. As I understand it, that was changed the year before Suez.

I am wondering whether there was not some discussion given to air power in particular being shifted to the Far Eastern theatre prior to the formation of the Commonwealth Strategic Reserve. That is the first issue. The second issue specifically is that you mentioned the Harriman discussions in 1963, but I am wondering also whether there was not a key discussion between Dean Rusk the following year and Australian officials where Rusk gave a more explicit assurance to the Australian government in particular about the nature of the US commitment.

Dr EDWARDS—There are a couple of things there. On the Middle East, I was summarising a whole series of discussions and the whole process, if you like. Perhaps the most critical timing of the shift in focus from the Middle East to South-East Asia as far as Australia was concerned was a meeting in Melbourne of the British, Australian and New Zealand chiefs of staff in 1953. But there was a whole process involved. There were in

fact Australian air force elements based in Malta. I cannot recall the exact details of timing and what they were, but we did actually have forces there. As I mention in the paper, I think New Zealand similarly had some forces committed there and were slower to withdraw theirs than Australia was. So it was a process, if you like, that occurred over the mid-1950s.

As to the second point, again I was choosing an incident to illustrate a process, if you like. I am not quite sure of the discussion that you are referring to involving Secretary Rusk. There was a great deal of discussion and concern within Australian policy circles about the piece of paper which encapsulated under what circumstances the United States would apply ANZUS guarantees to involvement in situations that might arise out of confrontation in Indonesia. I have discussed this at some length in a previous volume of the official history entitled *Crisis and Commitments*. That was very much associated with the circumstances under which Sir Garfield Barwick ceased, rather abruptly, to be Minister for External Affairs in 1964. But there was a document—signed I think by President Kennedy, as I recall; it was certainly authorised by him—which set out the circumstances. Basically it made it clear that the United States would be very reluctant to commit ground forces in that situation but might come in with air and naval forces in support in certain circumstances.

Mr BEVIS—Peter Edwards, you commented earlier on about, at the outset of the Vietnam conflict, Australia's desire to see a multinational Asian based group possibly around SEATO participating rather than what was a predominantly white Anglo-Saxon based contribution. Are the considerations that the Australian government had at that time still current in your view? Do those sorts of issues bear upon foreign and security relations matters today? If they do, what does that mean for the development of things like the ASEAN Regional Forum and the Five Power Defence Arrangements? What implications down the track would that hold for ANZUS?

Dr EDWARDS—That, frankly, is getting into areas in which I do not claim any great expertise and certainly have much less expertise than other people around this table. I would say, however, that in the 1960s the predominant theme in a great deal of Australian diplomacy was to try to gain discussions which would bring together Australia and New Zealand with both the great and powerful allies—the United Kingdom and the United States—because, as I mentioned, those two allies seemed to have different priorities in the region, and that was a matter of great concern. So the Australian were constantly seeking what they referred to as 'quadripartite talks'—in other words, Australia, New Zealand, the UK and the US.

One of the great difficulties with that was that the others involved, particularly the United States, were very reluctant to be seen as part of a 'white man's' alliance. It would be seen as white men trying to dictate what was happening in Asia, and that would clearly have had major political weaknesses. The fact of the matter now is that, for a start, those countries are different in ethnic make-up from that which they were 30 years ago and our

alliance arrangements, particularly in the Asia-Pacific, are also rather different from that which they were.

I think Mr Sinclair mentioned the importance of the Five Power Defence Arrangement—which I did not mention in the paper but I might well have done—as an alliance which brings regional countries together and which has been particularly important. So the strategic make-up is quite different from what it was at that time.

Mr ADAMS—Dr Edwards, could you give us an indication of what the impact was of the signing of the North West Cape Treaty in 1963? Up until that time, as indicated in your talk, the ANZUS alliance was very much in the background. There were a lot of other defence pacts going on. Then in 1963 we signed the treaty which gave the Americans access to the Australian mainland for 25 years. That was drawn up under the ANZUS Treaty which obviously gave it a much higher profile in the Australian community—not only that treaty but ANZUS as well. Perhaps Ian Sinclair might like to comment on the significance of that particular development.

Dr EDWARDS—I would see that as one of the most significant and certainly one of the most publicly prominent elements of a process that I touched on in the paper, which was that from the late 1950s onwards there was a whole network of agreements established between Australia and the United States on defence matters. The North West Cape one was highly prominent. It was much commented on at the time. The personal involvement and personal support of President Johnson and Prime Minister Holt gave it a high profile.

It was part of that process by which Australia took a deliberate decision to involve the United States as much as possible in defence agreements in this part of the world. That was the underlying thrust of Australian policy at that time—to keep America committed to this region, the Australian region, the Australasian region and the South-West Pacific. That is probably its most prominent aspect. And because it was a high profile event it drew public attention to that process more than had previously been the case.

Mr SINCLAIR—One of the facets of the whole of the ANZUS Treaty that strikes me as being rather remarkable is that as times have changed and pressures and priorities have changed so too has perhaps the meaning and the application of the agreement, if not its terminology. The negotiation of the agreement came at a period when people were starting to worry about the Soviet presence in the Indian Ocean, when there were talks about Diego Garcia and where American forces were going to be—at least about what was happening in the Middle East generally and where American forces might be based.

Part of Australia's concern at that time was to ensure that the Americans would be there not just in the Pacific sense but also in the Indian Ocean sense. While the world has moved on and those pressures are quite different in the post Cold War era, the fact that it

has been possible to adapt to differing strategic circumstances under the nominal name of a treaty that might be not strictly relevant is significant as far as the future is concerned. Whatever has happened in the past does not necessarily mean that, in a different set of circumstances, ANZUS and our relationship cannot be called on again.

To a degree, we have looked at what happened in the Falklands and the British-United States relationship as a precedent which, whatever the actual form of the words of the ANZUS agreement, can be then related back to what we might be able to call on the Americans to do—and, perhaps, the Americans might be able to call on us to do—in another set of circumstances in the future.

Prof. BALL—I very much enjoyed Peter Edwards's survey of the history of ANZUS, but there was one dimension which was a little underestimated, and that was the intelligence dimension. From the comments of Ambassador Holmes and of others we have heard, the linking together of the members of the intelligence communities in the US and Australia has been at least as important as the connections that have occurred with regard to military officers and the meetings of the chiefs of staffs and all the other military arrangements Peter has outlined for us.

When Peter Edwards said that there were other agreements in the 1950s which were just as important as ANZUS, including many of those which related to joint military planning, I would have argued—and, indeed, I have argued in several books in the past—that, amongst those agreements, the set of agreements covering the exchange of intelligence was quite critical and more important than ANZUS. Mainly, they were those various arrangements which are subsumed around the UK-USA working agreements for cooperation and exchange in signals intelligence. I believe that is very critical to all aspects of the development of the alliance over the last 45 years in terms of the building up of trust, sharing, exchanges and all the rest.

During the last five years I have been fairly deeply involved in another aspect of the history relating to espionage and intelligence, through a project which came to completion last year. It was looking at some of the espionage and intelligence background to what became ANZUS in 1950-51. A spy case began in Australia in about 1944 involving a group of Australians who were, from 1944 onwards, providing the Soviet Union with both British and American top secret, very highly classified materials. From the end of 1944 through to 1945, given that Stalin was intent on keeping the Japanese committed for as long as possible down in the southern part of the Pacific rather than up in Manchuria—until he could realign his forces away from Europe and back over to the eastern theatre—that information was also being passed by the Soviet Union to the Japanese.

From November 1944 onwards the Americans and the British were intensely concerned about these leaks to the Soviet Union. In 1946 and 1947, when the Americans again started breaking Soviet high level communications—and particularly KGB one-time

pad communications—it became evident that this group which had been set up in 1944 in Australia was still active through 1946-47.

In the period from 1946-47 until 1951-52 when ANZUS came along, there were a couple of consequences of that. One was the widespread suspicion on the part of the Americans—and, indeed, the British—about the security of material coming to Australia: in Washington they were reading the communications from Canberra to Moscow showing that leaks of very highly classified British and American materials were occurring on a day-to-day basis from Foreign Affairs. That suspicion was extremely important, therefore, both in the cutting off of the intelligence flow in the late 1940s—which has been widely documented—and in a whole series of other arrangements, most particularly the setting up of very close intelligence links, starting with the Defence Signals Bureau in April 1947, through ASIO and later ASIS, in which very close relations were put in place.

In the late 1940s there was a coming together of a highly secret, small group who were aware of these intelligence leaks right through the late 1940s until the foundation of ANZUS—and have remained aware of them even though there has been no public acknowledgment of this episode until the very recent past. The people who were involved in that and really knew what was going on—only a very small group who, under various arrangements, were not sharing that knowledge with other people in the intelligence community let alone with the public—made up a fundamental group in the development of what became ANZUS in 1952.

CHAIRMAN - Do you wish to comment on that?

Dr EDWARDS—I have been aware that Professor Ball has been working on this area for some time. I certainly agree that the intelligence agencies are a very important element in the whole structure. I would be very interested to read the outcome of the work that you have just been describing.

NANCY SHELLEY—I am addressing this question to either Ian Sinclair or David Spencer, or both. Much has been said this morning about the robustness of our relationship under ANZUS with the US. David Spencer refuted Malcolm Fraser's comments that we would be more likely to be able to negotiate trade agreements if ANZUS were not there. He declined to think that that was the case and that in fact we had more opportunity.

It is because of those considerations that I wonder whether our relationship is robust enough or we are prepared enough to take issue with some actions which are foreseen in the near future, namely, in October. From an article that appeared in the *New Scientist* on 8 May, I gather that NASA is about to launch into orbit a craft which has on board 73 pounds of plutonium. We are aware of the dangers of craft being put into orbit and their ability to crash. We also know that a Russian craft crashed last November, and it had half a pound of plutonium, which was spread over Chile and Bolivia.

Seeing that this alliance is greatly to do with security—global security at that, although it may concentrate on only one particular region—this seems to be an extraordinary adventure to enter into, with very little protection for most of humanity. I wonder whether the present government and/or the department, or whoever is responsible, could take this on board and look into the matter, criticise it and warn against the dangers that are evident to the whole of humanity.

Mr SINCLAIR—From the point of view of the particular concern you raise—I must admit that I remain totally ignorant—I have found on any number of occasions that the ANZUS relationship has given us a voice for special pleading, whatever the subject. As David Spencer has suggested, it does not mean that we are necessarily either agreed with or have our point of view accepted. But it certainly has meant that we have been able to argue on many grounds and many reasons successfully over the years.

In conservative cabinets, I am certainly one of those who have argued against using, for example, withdrawal from our intelligence facilities to prevail in an argument. But that does not mean that, because of the relationship, you cannot present the argument. I find that always the problem in America is that they are many people; often the Administration and Congress have different views. Even with the Administration, it is sometimes hard to get to the person who is actually making the decision. Within NASA, I am not too sure where the decision would be made.

Mr SPENCER—Nancy, I am not aware of this particular instance either, but I will take it on board and check it through. I vividly remember last year, whilst I was dozing on a Sunday afternoon watching the football in the United States, receiving a call from the Vice-President, who wanted to tell me that the Russian craft was just about to descend on Australia. As it turned out, it went far to our east. As a result, it was not of too great concern to us. I think the substance of the consultation in that process underscored the good relationship that we have both across the board in these areas of security and in the context of the trade concerns that you have.

I genuinely do believe that the very fact that we have ANZUS does give us the entree into Washington, both to Congress and to the Administration, that we would not necessarily have if we did not have that alliance. The idea of scrapping the alliance is not going to make our task any easier in terms of the trade relationships. You are waving your hand, and I do not think you are challenging that, but certainly I will look into the case that you have mentioned.

CHAIRMAN - I do not doubt for one moment the veracity of your claim, but I was at NASA's space centre at Houston about two weeks ago. I was extremely impressed with the quality of the science being done there, the research and, above all, the sense of responsibility. Given the past history of spacecraft re-entering the atmosphere with nuclear materials as their power source, I would be very surprised if there were not some fail-safe mechanisms in place. Of course, since the days the Russians were putting up nuclear

powered spacecraft, the development of solar panels to provide the energy, which was the sole reason for the nuclear material to be there, has now largely passed. But we will certainly look into that.

NANCY SHELLEY—It does beg the question as to why they are not using solar power.

CHAIRMAN - No-one raised that with me. I saw their quite extensive solar powered array development. Of course, the new space laboratory, which will be a multinational laboratory, goes up towards the end of this year and through next year. That is entirely solar powered and the energy demands for that are really quite considerable. Since we seem to be drying up on questions, we will have a break until 11.30 and then resume for the next session.

Short adjournment

SESSION 2: THE NEW ZEALAND RELATIONSHIP**New Zealand Reflections
Australian Observations****Dr Stewart Woodman
Hon. Kim Beazley MP**

CHAIRMAN - The magnitude of the US contribution to the ANZUS alliance and our own perspective from the Australian parliament should not obscure the fact that the treaty was made between three nations. The third alliance partner, New Zealand, is the subject of session 2 of this seminar. Some observers viewed the falling out between New Zealand and the United States as a mortal blow to the future of ANZUS, but the continuing status of ANZUS as a cornerstone of Australian security policy more than a decade later belies that view.

Dr Stewart Woodman is a Fellow and Director of Graduate Studies at the Strategic and Defence Studies Centre at the ANU. His primary research interests include Australia's strategic and defence politics and New Zealand defence. He has assisted New Zealand and a number of other regional nations in the preparation of major strategic policy documents. I can think of no-one in this country better able to speak on this topic than Dr Woodman. I now invite him to address the seminar.

Dr WOODMAN—Thank you very much, Mr Chairman. I must admit that, when I read the title for the session 'New Zealand reflections', my first reaction was to disclaim that I could in any way be classified as a Kiwi or be seen to be talking for New Zealand. My background goes back to writing speeches for Kim Beazley in 1988 when he was trying to convince New Zealand that they should buy Anzac frigates on the one hand and in 1993 sitting in Wellington working with senior policy officers as they were doing their last strategic assessment. Perhaps I will start from a position about somewhere halfway across the Tasman, and I will see whether I am still swimming by the end of the session.

Twelve years ago the New Zealand decision not to admit the USS *Buchanan* shook the ANZUS alliance to its core. The smallest nation in that trilateral alliance, the mouse, had roared. I think the consequences of that decision are very much a matter of history. The US, then under substantial pressure to maintain alliance discipline in other more distant realms, refused to accommodate the revolution, albeit from a very small player. Australia, caught between its major defence ally and its next-door neighbour, sat on the fence. The New Zealand government, stumbling under the pressure of a vigorous anti-nuclear movement and lacking a clear strategic direction, was left stranded between a rock and a hard place.

Since that time the strategic landscape has changed a great deal. Nuclear weapons have basically slipped from the forefront of the strategic agenda. The Cold War confrontation has been displaced by more regionally specific dynamics. The whole concept of US alliance structures has changed as NATO reaches out to embrace the countries of

Eastern Europe, their former adversaries.

The benefits of alliances, particularly things like joint exercises and access to advanced weapon systems which were previously confined to that elite of Western alliance countries, are now part of the new currency which the United States is making much more available as it repositions itself in the post Cold War era. The United States has basically stopped putting nuclear weapons on many of its vessels. Yet for all those changes that have gone on in the 10 years since the ANZUS split, the change in the debate over the ANZUS split and New Zealand's position in it has hardly changed at all. It is a very simple message: New Zealand must repeal its anti-nuclear legislation and show that it is serious about defence, otherwise the tap will remain turned off.

I think it would be very easy at this seminar to take the same line, perhaps more in sorrow now than in anger, but certainly to point the finger at New Zealand and say, 'Over to you.' The question I would like to pose today at this seminar is: why has the debate not changed and does it need to? I want to do that particularly with reference to the New Zealand position. If you look at what has gone on in the ANZUS debate and its relationship to New Zealand, you can identify two important phases. The first one was the immediate situation which happened over the nuclear split between 1985 and 1988. The second one was what has occurred subsequently.

One of the things that are important to realise about 1985 is that we are not only talking about ANZUS at the height of the Cold War; we are talking about the primary emphasis being, 'We all need to be on the same team.' But the reality of the situation in 1985 was still that each player came to the table, to that particular crisis issue, with a very different agenda, and one which was not simply about nuclear ships.

The United States was facing some important challenges in relation to the cohesion of NATO and obligations with respect to the basing of nuclear weapons. It frankly could not afford a damaging precedent, albeit in a very different, less consequential theatre. Australia was preoccupied with the moves towards self-reliance and conscious of the cost that it would have to pay if New Zealand got away with this nuclear stand. After all, the Australian Labor government at that time had already had substantial problems dealing with its left wing, which certainly in the 1970s had been very strongly anti-nuclear. And certainly it had had to handle issues such as the joint facilities, uranium and a whole series of questions early in the 1980s to establish its position, giving priority to the continuation of the US alliance. Australia was also becoming conscious of how the alliance contributed to self-reliance.

The really misunderstood player in 1985 was New Zealand itself. The anti-nuclear stand was not new to New Zealand Labour. But you need to understand why it had been allowed to dominate the New Zealand debate as much as it had. The reality was that New Zealand had been struggling for over a decade—since the British withdraw from east of Suez, the US Guam doctrine and the dramatic collapse of its export based economy—to

articulate a new strategic posture. When all those collective security props of the past had been dragged away, New Zealand was left very uncomfortably caught between a geographic position in the South Pacific—but one where there were not many security threats of substance to worry about—a large, potentially dominating neighbour in Australia and a recognition from New Zealand's point of view that in fact it could best secure its security by contributing in areas further afield.

In Wellington, not only was matching up policy, resources and force structure a major problem—and this was well illustrated in the early 1980s when New Zealand started to toy with the idea of buying submarines—but also it was very difficult to articulate a clear policy which could generate substantial public support. Defence policy lost the imperial connection, but there was no new strategic vision in New Zealand rooted in the political and domestic psyche of the country. Australia, for example, had the great advantage of its size, greater proximity to Asia and a very traditional threat sense which, after the Guam doctrine and the British withdrawal from east of the Suez, kept defence on the public agenda. For New Zealand, they simply did not have those strategic tools to work with.

What that meant was that, when the anti-nuclear debate became very strong in New Zealand, defence officialdom and those politicians who would support a continued robust defence posture for New Zealand had very little ammunition left to counter a very potent mix of anti-nuclear sentiment, anti-US sentiment and basically what became anti-defence sentiment. These all became rolled up in the issue of whether or not nuclear ships would be allowed to visit New Zealand.

So I think what came home in 1985 were some very clear lessons. The first one was that the whole rationale for ANZUS was very much Cold War and it was very much geared to working together in the context of a major threat scenario. There was very little appreciation of the particular and individual interests of each of the players; it all just came in that one line—basically the anti-Soviet stance. The second thing which was not appreciated was that each of the players did come with their own particular agendas. Thirdly, the United States in particular and to a certain extent Australia did not really understand the dynamics that were going on in New Zealand. That was why the response was pretty crude and pretty blunt: 'Shape up or you don't play.'

Where the problem became particularly acute for New Zealand was that, having stripped away the idea of cooperation on the nuclear side, it then exposed other aspects of New Zealand defence policy. It exposed the fact that New Zealand really had been struggling. Without location or size or the strategic credentials that it could put in the debate, people tended to focus basically on its ageing military capabilities and its dilemma in establishing a clear policy. New Zealand simply did not look serious about defence at all, and people really did not understand why.

Since then New Zealand has had a very difficult job trying to claw its way back to

some sort of defence credibility. Of course, it was not helped by the fact that it had been trying to restructure the economy in substantial ways and that it was necessary to bring home the 2nd New Zealand Battalion which had been based in Singapore. Everything in 1985 or 1987 pointed to a New Zealand that was heading towards isolationism.

The first hurdle on the way back was that New Zealand did not have a clearly established national defence policy, something that had political acceptability and wide public acceptance—the sort of problem that either the United States or Australia did not have to worry about. Frankly, without that basis, without knowing where you are individually as a nation, it is much harder to sign up competently and coherently to an alliance strategy. The first step back was in fact the 1987 white paper under David Lange, when New Zealand turned around and focused very much on the South Pacific and very much on the defence of New Zealand—ironically actually lifting many of the principles that came out of Australia's work in the Dibb review in 1986: geography, capability, regional orientation. They were the things that New Zealand was playing with, trying to find its way to create some sort of coherent and sustainable defence policy.

Frankly, the 1987 white paper in New Zealand did not work. It did not work for several reasons. One of the reasons was that it was not convincing enough to offset the influence of the peace lobby, because the things that went on in the South Pacific were not immediate and large enough, important enough in security terms, for the government to be able to play that hand very strongly.

The second thing it did not do was come into line with New Zealand's traditionally much broader security interests. New Zealand had never really focused on the defence of New Zealand itself. It was really much more concerned about how it could play a role in the collective security arrangements further afield. Certainly a narrow focus on the South Pacific did not do that. Of course, the ultimate test of the 1987 white paper is that it did not hold out a very attractive olive branch for either Australia or the United States, its traditional major allies, to pick up.

By 1987, the defence debate and the judgment on New Zealand's defence credibility came down, in literal terms, to one line: would they or would they not buy the ANZAC frigate? That is about as narrow as the debate had become. Think of the sorts of statements—and I was actually involved in drafting some of the speeches for this—that were made when someone like Kim Beazley went to New Zealand in 1988 and said, 'We cannot treat New Zealand as a serious security partner unless you have a rapid reaction force, a long range maritime patrol aircraft and a viable blue water naval capability.' Australia was saying to New Zealand, 'You really have to put your cards on the table.' The reaction trod a fine dividing line. On the one hand, people in New Zealand were quite happy for the Aussies to come there and say, 'You are not carrying your weight. You need to do something more.' On the other hand, there was the danger that, if that hand was overplayed, outsiders telling New Zealand what to do could have a detrimental effect. It could provoke some sort of basically popular reaction and reinforce the anti-nuclear,

anti-US, anti-defence lobby.

I think it was that crunch time which really started New Zealand trying to, in a sense, reinvent and redefine a place for proper security policy. It really has been since then clawing its way back to a realistic and sustainable defence policy for a small power whose location is quite remote from the world's major trouble spots. We should not be surprised that that has taken them 10 years. Much of the past had been swept aside by the Guam doctrine and the British withdrawal. Unlike Australia, it did not, as I said, have the strategically immediate problems which could provide a focus.

But there have been important steps in the process. The first one, the one that everybody condemns New Zealand for, was the National Party adopting the anti-nuclear stance. While you can condemn it, saying that it was putting New Zealand on the outer, what it did was to marginalise that anti-nuclear debate. It meant that that became something that was accepted, and New Zealand could then get on with the serious business of developing a defence policy.

The second important element was the 1991 defence white paper in New Zealand, which established defence self-reliance in partnership as the key element of defence policy. Basically the result of that was that New Zealand recognised and gave a clear political signal that it wanted to go out and play a reasonably serious security role—not just confined to the South Pacific but in terms of the common interests it had with others further afield. There was also the concept of the credible minimum. That is, New Zealand wanted to be seen to be serious about security and to be able to contribute in a measurable although modest way to those interests it shared with others.

The third thing New Zealand did was substantially upgrade its defence management and organisation to make sure that it got much better use out of the defence dollar and that priorities were better established. Fourthly, it enthusiastically embraced CDR, working together with Australia, developing greater complementarity of defence forces, working together on joint training, joint procurement and support of defence industry.

Finally, during these years when essentially it was ostracised and left on the outside, certainly by the United States—and qualifications were placed on Australian assistance—New Zealand continued to play a role in other theatres. It went to Cambodia, in close consultation with Australia. It went to the Gulf War. It is currently in Bosnia. Most recently, it has played a substantial role in the South Pacific, hosting the Bougainville peace talks. In fact, within its available resources and given that it was substantially isolated from many of the normal contacts of its previous Western alliance associations, it was not doing such a bad job.

Effectively, what New Zealand had done was to break down that anti-nuclear, anti-US, anti-defence vote which was so strong in the mid-1980s. However, New Zealand still

had not been able to develop a very clear basis for justifying particular military capabilities. If you look at the 1991 white paper, when it looks at New Zealand's credible minimum defence capabilities, basically anything can contribute. But, if anything can contribute to a particular task—whether it be peacekeeping or regional security cooperation—it is still very hard to convince people at home to spend a lot of money on a specific capability, particularly in the New Zealand context. If you say that anything can contribute, how do you justify the amount of money for, say, a fighter aircraft or for four—as distinct from two—ANZAC frigates. There was no real nexus created between defence policy and spending money on particular capabilities at the end.

Without that ammunition, New Zealand defence was caught in a bind. It could not convince the domestic electorate of why certain things were essential. More importantly, it still could not convince its major allies that it was taking defence really seriously. And there was no catalyst around to make people take that seriously.

That catalyst came in 1996. While New Zealand had been able to make do up until then, once New Zealand was undertaking a new defence assessment, it had to face the fact that, unless it spent more on defence, it was going to drop below what might be called the credible minimum of defence capability. That is, any further cut in New Zealand defence capabilities meant it would not have an air force, a navy and an army in the traditional sense. It would have to make substantial trade-offs.

That was rock bottom. If you could not do that, you had a domestic political minimum scenario where you were opening Pandora's box. If you could not have at least that minimum level of defence capability, how much did you have? Could you go into free fall? So there was a real problem of having no justification if the government was not careful.

There was also the problem that, both regionally and internationally, if New Zealand lost that minimum capability which is always seen as part of a defence force, its credibility would suffer. Bear in mind that a small nation like New Zealand has to use all the tools of government it can to make an impression. Certainly, in projecting its influence into the new strategic context in South-East Asia, with regional security cooperation or the Five Power Defence Arrangements or in many other areas, a defence force remains one of New Zealand's key instruments of state.

Furthermore, if New Zealand did not maintain those capabilities, Australia had made it very clear—both under the Labor government, Mr Hawke, Mr Keating and Mr Beazley; and now under the coalition government, Mr McLachlan and Prime Minister Howard—that, 'We won't take you seriously either.' Falling below that credible minimum had very substantial costs for New Zealand but it took it to get to that rock bottom for it to become the serious issue that would really focus the attention of New Zealand politicians. The headlines have changed, if you look at the latest ones: 'New Zealand plans to buy frigates and fighters', 'Improved defence force gaining in public support', 'Lifting

our game, but at a price', 'Cuts that cut too deep'.

The debate has started to change in New Zealand. We are not only talking about Anzac frigates three and four; we are talking about a replacement squadron of fighter aircraft for the existing air force Skyhawks, new C130 transport aircraft and new armoured fighting vehicles for the army.

Everyone is hanging on the defence assessment later this year. Will New Zealand bite the bullet? Will it be fairly serious? I think we have to be pretty sensible about this. There is no doubt about it, whatever comes out of the defence assessment—and New Zealand's government is clearly looking very seriously at this—it is going to be modest and it is going to be staged. Any overambitious proposals from New Zealand would simply be unrealistic in the current environment. It is a small nation. Its contribution will be modest but it does need to be carefully targeted.

There is no doubt about it, too, that what comes out of the defence assessment will be treated very cautiously by its major allies—Australia and the United States. The question still hangs around: how could New Zealand have let it deteriorate that far? Can we really trust them to put it back together again? Nobody turns around and says, 'When the United States lost its domestic political justification, it lost 25 to 30 per cent from the defence budget just like that.' How would Australia go at maintaining its \$10 billion for defence capability at present if it did not have the challenge of being a large country and if it did not have a traditional concern basically about being 'the hordes from South-East Asia' invading the country from the north. Would we be in the same position? We have to remember that that is the situation New Zealand faced. They did not have sustainable political rationale for what they were doing.

I think there is a great danger that we will sit back and say, 'Right, thank you New Zealand. You've turned the corner. We'll judge you when you make a decision this November on Anzac frigates three and four. After that, we'll judge you in two or three years time and we will see whether you are going to be serious about fighter aircraft or armoured fighting vehicles.' We will simply keep pointing the gun at New Zealand and say, 'How much do you have to prove that you are more serious?' I wonder whether we should just keep looking at New Zealand or, if New Zealand is going to start extending the hand and saying, 'We want to be serious about it' whether the challenge we have out there is as much for New Zealand's allies as it is for New Zealand.

There is no doubt about it. The demands of military force are substantially expanding. There is a trade-off between long-term capability development and short-term deployments to handle current crises and manage the new security environment. Even in the United States, if you compare the Democrat and the Republic agenda, that trade-off on alternatives is there. There is a substantial question for most countries about the affordability of military capabilities. That is a question which is going to face Australia certainly by the year 2010 when it runs up against the major problem of obsolescence of

its major defence capabilities. The assistance and support of New Zealand would be very valuable in those circumstances.

I do not think Australia can afford to ignore the hand that New Zealand might be holding out. It is not that New Zealand has yet proved itself, but people have to look much more seriously where each of the players, large or small, fits into the alliance context.

Australia also has to remember that, when it is trying to maximise its strategic leverage in the Asia-Pacific—there was a big emphasis in *Defending Australia 1994*, and a substantial emphasis in the coalition government's defence policy on being out there, and playing a role and shaping the environment—it needs all the goodies on its side, all the weight and tools that it can have there. There is no doubt about it: New Zealand's policy has always reflected on Australia's policy. Australia went around in circles in 1987 when it was setting up defence self-reliance and New Zealand was withdrawing a battalion from Singapore. We are seen as one and the same. It is to Australia's advantage that the two countries work robustly and well together.

The United States certainly could ignore New Zealand. It is small, it is remote and it is not the centre of US strategic priorities. But even the United States is facing the substantial problem that the currency of alliances and connections is changing. The United States is out there trying to develop new strategic linkages, and it is not doing them just on the basis of military force.

The United States is now struggling with the new alliance agenda. Democracy, human rights, second track Western type mechanisms and Western type priorities are some of the tools the United States is using. The recent troubles with Indonesia—the IMET agreement and Indonesia moving from the F16 deal to a Soviet weapons aircraft deal—show that alliance arrangements are changing. Sometimes those longer term, more consistent, more solid traditions of the past, where there is a compatibility of social systems and cultural systems—even if the countries are very different in size—should not be ignored. It is easy in the immediate term but, in the long term, alliances cannot ignore those particular considerations.

The question we face now is twofold as far as the US, Australia, New Zealand and the ANZUS debate goes. There is a very substantial debate still to be had in New Zealand. New Zealand does have to deliver the goods. It has to move towards more substantial defence capabilities, showing that it can maintain an effective and deliverable defence capability. I do not think New Zealand has yet done that. It has to develop a clear nexus between what it has in its defence force and the clear benefits that it can provide in, say, promoting regional security cooperation or the other aims that it shares with its allies. There is no question that that task is still one that needs to be tackled and tackled well in New Zealand. The question for its allies is whether they are going to stand back—as we have done for the last decade—and say, 'Come on, keep proving you are part of the club,' or whether we recognise that, despite differences in size, it is to the strategic advantage of

both Australia and the United States to work together with New Zealand in helping New Zealand back into that fold.

I think this is a very critical juncture because there is no doubt that, if New Zealand offers the hand and the other ANZUS partners do not reach out to grab it, that may be a linkage which is lost for a long time to come.

CHAIRMAN - Thank you very much, Dr Woodman. Our next speaker on New Zealand's relationship with ANZUS needs no introduction at all. The current Leader of the Opposition, the Hon. Kim Beazley, was defence minister for the Hawke government during the nuclear ships crisis and served as an important channel of communication between the New Zealand and United States governments in attempting to resolve the situation. It also fell to him, as defence minister at the time, to reform Australian defence policy following that shift, culminating in the 1987 defence white paper.

Mr Beazley can offer a unique perspective, as he was closely involved in the issues of the time. He played a principal role in sustaining the ANZUS agreement through that period. We are very fortunate this morning that he has time to come along and talk to us.

Mr BEAZLEY - Thanks very much. I am not going to deal, as Dr Woodman did, with both the contemporary era and the past—at least not to the extent which he has—but I do intend to reflect a bit on some of the history that he went over, and I find myself in agreement with his analysis in that regard.

But I remember at the height of the argument over the suspension of the defence and intelligence relationship between the US and New Zealand an extraordinary interview being given by the then New Zealand Prime Minister, David Lange, in Hawaii, of all places. Asked to contemplate the possibility of a cut-off of US intelligence to Australia as a result of American mistrust over Australia's continued intelligence relationship with New Zealand, he said, 'I certainly hope not. If you know Australians, you know they need all the intelligence they can get.'

At the time I was in receipt of an odd bit of departmental advice that we might indeed face a level of American anger over the nature of the continuing intelligence relationship that we had with the New Zealanders. The consequences of a cut-off would have been substantial for us—directly for our armed forces and indirectly in our understanding of the region of greatest interest to us—and it would have been massive for our information on developments outside the Asia-Pacific region.

This was contrary to assertions in New Zealand that the impact on access to regional intelligence was, for them, minor. If you look back over the debates at the time, they said, 'Well, really, we generate most of our intelligence on the South Pacific, we get a bit from the Australians, and the Americans really do not have much to say about that.' We had a rough rule of thumb of estimates for ourselves on information in the region of significance for us. That rule of thumb indicated to us that about 50 per cent at least of

the intelligence that we got arose out of the relationship that we had with the United States.

In all the circumstances, Prime Minister Lange's answer reminded me wryly of an earlier answer that Bill Hayden had given in parliament on Mr Lange's policy. Mr Hayden was 'reminded of the blind javelin thrower at the Olympics—he was not necessarily very effective but he certainly kept the crowd on its toes.' The New Zealand relationship kept me, in my seven years as assistant defence minister and then defence minister, very much on my toes.

Before looking at the impact of the New Zealand anti-nuclear ship visits policy directly in terms of its impact on ANZUS in relations with Australia, let me set the scene of the 1980s from the Australian government's point of view. We were, and still are, a close ally of the United States linked via the joint facilities to the global strategic balance. We also had defence relationships with nations in South-East Asia in a period of time when the region was undergoing a major maturing of its international relationships. Part of that maturing was coping with what was perceived to be 'burgeoning interest' by a variety of external powers, some with very direct claims on nations in the region.

In the late 1980s there were substantial clashes, for example, in the South China Sea between China and some of the states with whom we had some common interest. They were, and still are, attempting to adjust regional relationships in a way that could cope with that and incorporate China. We wanted to play a role in that evolving diplomacy; and they of course had—as I will say a bit later—some question marks over what our attitudes might be to regional engagement. The Berlin Wall had not collapsed. And we now know that the mid-1980s was a period of one of the highest levels of Cold War tension in the postwar period.

The dam broke not to produce a cascade of nuclear war but of democracy and internal collapse in one major protagonist, the Soviet Union. But that was a close run thing. As the American administration rearmed and incorporated within its theory of deterrence the capacity to fight nuclear war as opposed to simply reacting defensively, the Soviet Union misread signs repeatedly. It was about as hot a competition as the Cold War got.

Indeed, just before I became Minister for Defence—and it is really only since that the evidence of a number of Soviet defectors has amplified it—there was a NATO exercise in late 1983 which the Soviets decided to interpret as the first stage of mobilisation. Soviet intelligence officers in London were sent around to the British defence department to count the number of lights on at night to indicate whether or not the British were working overtime on their part in the process. Who were up there of course were cleaners.

It was a very close run thing. A friend of mine who now employs ex-Soviet

intelligence officers went near one of the British radar facilities and sort of speculated on the survivability of that in a conflict. This fellow, who had some role in Soviet targeting doctrine—which was the mirror image, the exact opposite, of American targeting doctrine—said, ‘Well, we had Britain bracketed basically on the assumptions that were of optimal damage from a single nuclear explosion in concentric circles.’ The thought in 1983 that Britain was very close to actually disappearing altogether made me very sad, because I happen to love Britain.

The Americans of course were talking about counterforce strategies. The assumption under the American strategy was that the Soviets valued their forces; therefore, threatened to eliminate their forces, and that was what was important to them. The Soviets assumed that we valued populations; therefore, they targeted populations. It was quite an interesting juxtaposition. But it was a hot time in the Cold War. At least the Americans had some comprehension of what was actually going on the other side of the hill, and they were very much in the business of bracing allies.

More directly for Australia, we had to struggle with some difficult political and strategic questions related to this broader environment. Whilst handling the nuclear ship visits issue, we were negotiating with the United States some major changes in our own defence and foreign policy posture. It is worth enumerating the most salient of these, not necessarily in order of importance.

Firstly, we had our own views on the key features of the relationship. Not everything we did with the US and New Zealand was under the rubric of ANZUS. ANZUS set the scene for relationships with both states. But the purely bilateral, particularly in relations with the Americans, was in day-to-day terms the more significant. It was, however, impossible to separate the bilateral from ANZUS when ANZUS was under challenge.

The key elements of the bilateral relationship for Australia were the joint facilities. The Labor government approached the Americans with a new agenda with the following elements. Firstly, we wanted the ability to say more about their functions publicly. This was not only because our party policy demanded it but also because, if we were to win over elements of public opinion that were slightly or, in some cases, massively sceptical, we needed to be able to detail the significance of the joint facilities for a stable nuclear balance and for arms control.

The irony for the Labor government was that, where in the 1970s the United States was probably more open potentially than the Australian government about what was going on at the joint facilities, and the Australian government was a little bit more interested in keeping them off the Australian agenda and did not want to talk about them very much, in the 1980s it switched around: the Australian government was more interested in doing that; the United States, in the process of bracing its allies on a whole variety of fronts, was more interested in, or more quizzical about, an Australian view that more needed or

ought to be said about those matters. We wanted more day-to-day Australian involvement in the facilities and the ability to utilise those facilities for Australian purposes.

As we as ministers got a deeper and deeper understanding of what the joint facilities did and their levels of capability, which were really quite massive, the more it appeared to us that there was value in those joint facilities for Australian purposes. We wanted Australians running the operations in so far as that was possible. In the case of Nurrungar, that became quite substantial. The early warning of a Soviet attack under us, as we changed the structure of the staffing, would be delivered to the United States essentially by a shift run by an Australian squadron leader.

So there was an effort on our part to get more and more control over those facilities ourselves. Of course, that ultimately emerged with the North West Cape facility now under direct Australian control, though still utilised by the Americans. But that North West Cape facility, to cite what is a public example of how valuable those facilities were to us, is the only means of secure communications that we have with Australian submarines.

Secondly, we wanted to restructure our defence forces and strategy to put flesh on the bones of a longstanding commitment to self-reliance. This involved spelling out a military strategy on the layered defence of Australia. While this did not explicitly preclude cooperation with allies further afield, a cursory reading of it might suggest that we were abandoning allied cooperation.

We found rapidly that, though self-reliance had been a policy for years, including that of our predecessors, none of our American interlocutors had been introduced to any serious study of it or had been engaged in any serious discussion on it. Assessments that Australia had to deal with affairs in its own region from within its own resources and that trouble involving us was a more likely occurrence than global war were not easy for our allies to take. So, when in Paul Dibb's report statements came out that it was felt that an outbreak of conventional war in the Pacific or elsewhere was unlikely to take place in isolation without escalation into a general nuclear conflict and that a general nuclear conflict was most unlikely, it actually destroyed about 90 per cent of the rationale for the Pacific fleet. It was understandable that in those circumstances the Americans would want to argue the toss with us, as a piece of intelligence advice, no matter what particular saliency that had. And it proved correct: the Soviet Union disappeared and there was not an outbreak of conventional war in the northern Pacific. But these sorts of assessments required a great deal of discussion with our American interlocutors and were difficult for the Australians.

Thirdly, we believed that leadership in the Pacific included dealing with the South Pacific's concerns with nuclear matters. We were therefore strong advocates of the South Pacific nuclear free zone. Whilst we argued that this had no effect on nuclear ship transit, this was not easy.

Fourthly, we had our own difficulty with the United States over the MX testing episode in 1984-85. Underlying this, from hindsight, was a basic disagreement on strategy. Effectively we the Labor Party had signed up, after lengthy debates inside the party, to a strategy of deterrence based on the notion of mutually assured destruction. New doctrines of deterrence through enhanced war fighting capability had not been incorporated within that argument, yet it was argued fundamentally by Cap Weinberger and the Reagan administration generally as the essence of deterrence that the United States wished to move towards.

So that different perspective on what was an appropriate strategy was reflected in disagreements with the United States over whether or not we would be participants in SDI research. We sought and obtained from the United States a preparedness on their part to say that the joint facilities would not be involved in SDI research. It does in fact say how much the US was prepared to go in discussing the roles of the joint facilities that they were prepared to give that underpinning and how closely they had developed a relationship with the Australian government at the time that they would wear that piece of cheek, actually conform with it and give that guarantee. It was also a heroic assumption by them at that time, because they did not necessarily know where SDI research was going to take them and they did not necessarily know where infra-red technologies, for example, would feature in it. Nevertheless, they were prepared to give that undertaking that that would be the case.

Fifthly, we reviewed our relationships in South-East Asia and the south-west Pacific. This involved a substantial new stress on our part on the Five Power Defence Arrangement. It also involved an agreement with defence implications for Papua New Guinea. It saw us increasingly concerned with Soviet and Libyan activity in the South Pacific. It also involved us in taking the lead on surveillance activities associated with their few resources, such as fisheries, and that was underpinning the South Pacific patrol boat program that we undertook with them at the time.

All this meant that we did not respond to the United States-New Zealand disagreement in a vacuum. We were conscious of a United States concern about allied backsliding on nuclear issues, from the cruise missiles in Europe to agitations against port visits in Japan. The United States perceived that events had allowed the Soviet Union to get the whip hand in global diplomacy. They were determined to reverse it and make sure that everybody played a part in reversing it. You see that Australia's agenda pieced together collectively was about as much as the United States had to swallow from an ally anywhere, let alone in the region, when you go through that litany of things that I just read out. The fact that we came through it with a strengthened relationship is actually a minor miracle, but that is a story for elsewhere and not for this particular session.

Suffice it to say that not a few people in the United States administration were looking at us closely, with all of this on our plate, for evidence of the so-called New Zealand disease. This was added to the fact that we were a Labor government and, as the

Americans appeared unwilling to listen to them, one or two of our colleagues in New Zealand, in their frustration, were known to have suggested to their American colleagues that they only had to shake the tree and Hawke would fall out. Therefore, Hayden, Hawke, Evans and I had to run a few Australian politics courses with our principal ally.

To this point, the agenda has been considered from the point of view of Australia-United States relations. It had its own resonance in relation to New Zealand. New Zealand was considered by us to be a strong partner in the Pacific. Our interests were viewed as likely to coincide. New Zealand's force structure was seen in the context of an ability to cooperate with us, and it was a valued partner in the Five Power Defence Arrangements. Our public position was that the disagreement between New Zealand and the United States was a matter for them. We were not directly involved, but we would seek to maintain a close relationship with both, without offending either—the United States in particular—by passing on matters such as intelligence related material or by trying to impose a trilateral structure, formally or informally, on military exercises.

The United States embargoes on intelligence were strictly adhered to by Australia. However, of necessity we did upgrade passage of our own, expurgated material to New Zealand, which required a bit of unusual effort on the part of our intelligence agencies—not a rational way of conducting an intelligence relationship.

The picture in regard to our strict non-involvement in this dispute was much more complex than I have indicated. You cannot conduct two intense bilateral dialogues which include discussion about the third party without to some extent passing on views about each other's stances. Both the United States and New Zealand frequently inquired of us what the likely responses of the other parties to their initiatives might be. They no doubt included our answers in their own deliberations. This process declined in intensity after the break was formalised by the 1986 AUSMIN talks in San Francisco and the subsequent United States and New Zealand exchange of notes. What was an intense American concern for a period of time drifted down to the humdrum in lower levels of the American bureaucracy.

More important than this, we did try to influence decisions of the two powers in a number of ways. Early on we tried to dissuade the New Zealand government from its course. Oddly enough, one of my few jobs as assistant defence minister was to go across to speak at the New Zealand Labour Party conference shortly before David Lange won power. My job was in part to defend our port visits policy and, by implication, to urge a moderation of the New Zealand party's stance. Chat around the conference was full of backslapping assertion that this would not matter once the party was in government; all things would be possible then, the party would not count, the peace movement would not count and I was not to worry about it—the port visits would keep on going.

I was not privy to all of it, but, for whatever reason, a distinct impression grew in the Australian and United States governments after the New Zealand election that the issue

would be massaged by the New Zealand government and no major problems would occur. Reasonably confident of what would transpire, the United States delayed proposed ship visits and proposed smaller, less capable ships. The subsequent American anger was in part due to a conviction that they had been set up—drawn into the conflict for domestic political purposes—when they were unexpectedly rejected. You cannot necessarily see how other people see you.

Based on conversations with the New Zealand government, which, as I said, I was not privy to, their view was that, if they were sensible about it—if they delayed the visits and sent less capable ships—things would be all right. The vehemence with which the nuclear issue was taken up subsequently by the New Zealand government led the Americans to believe that they had been set up for political purposes so that there could be a dramatic rejection of the *USS Buchanan* which would show a level of toughness in New Zealand that would be useful subsequently in the New Zealand election.

This perception made the Americans spitting mad. I do not think it was an accurate perception, but there had certainly been enough in the ether to indicate to the United States that that was a possibility. While we did not accept the conspiracy theory, having a little more knowledge about the vicissitudes of Labour politics in New Zealand, we did think at the time that the Americans had a point, because we were getting some of the same signals.

Quite quickly we saw, however, that the disagreement had an inevitability about it and that we had no role to play in New Zealand domestic politics. Without being too specific about it, we put in place plan B, so to speak. That is not what it was called, but plan B was put in place. This had two elements. Firstly, it became our firm conviction that, whatever happened to restructure the trilateral relationship, ANZUS as a vehicle for Australian-United States and Australian-New Zealand relations should continue. This was an issue in both the US and Australia and ideas of a new bilateral treaty were in fact seriously floated for a brief period.

Part of our response to that notion was political and part of it was legal. There were some concerns in the United States as to whether or not it was legally possible to put a leg of the treaty into suspense. It was a proposition argued at the time by the New Zealanders. The New Zealanders said you could not suspend the treaty, that you were obliged to continue with it unless you dissolved the treaty altogether. So there was some concern in the United States and in Australia as to whether or not that might be true.

In the end, both Australia and the United States sought to minimise changes, both conscious of the enormous technical difficulties about getting up an alternative treaty. Treaty making was very much of the 1950s era. Putting in place treaties in the 1980s, with the post-Vietnam US Senate, and putting in place a sort of basis on which you could arrive at an agreement with Australia were all seen to be terribly complex. In fact, the only people who really managed it in our time were Paul Keating and President Suharto,

and they did it essentially by just keeping it to themselves and dumping it on the rest of us at the end of it, saying, 'How do you like that?' That is not a process that is capable of being pursued inside the American bureaucracy or inside the American political system, and not very easy in the Australian one either. Both of us were also satisfied that there were no problems in the end dealing with the issues administratively. Hence we created AUSMIN.

The second element was a de facto review of all levels of the Australian-New Zealand relationship. The intention of this was to enhance the relationship while it was restructured. Before going into that, let me say that that decision was not based on tacit approval of the New Zealand position. Australian politicians and administrators were exceptionally annoyed, and for a number of reasons. Firstly, we saw no valid safety concerns. We had ourselves studied the movement of American warships around Australian ports. We had looked at the possibilities of accidents occurring in relation to both nuclear weapons and nuclear reactors.

We determined that the greater problem, and it was not much of a problem, was likely to emerge from nuclear reactors. Hence we had set up a safe anchorage policy: American nuclear-powered warships could not come into Sydney but, if they wanted to visit New South Wales, they would have to go to Jervis Bay. There were only one or two anchorages in Port Phillip Bay where nuclear-powered warships could line up. Nuclear-powered warships could not enter Fremantle harbour, so nuclear submarines would have to go down to the naval facility at HMAS *Stirling* and nuclear carriers would have to stand offshore. This was something that had been gone through with great deliberation, and we did not appreciate the suggestion out there in the ether that it was not possible to arrange safe nuclear ship visits. To have to handle that argument was not without difficulty.

We also accepted for ourselves that an element of the nuclear umbrella was inevitable in the United States relationship. We did not conduct nuclear exercises with the United States, that is true, but since Gough Whitlam's day one of the arguments in favour of the US alliance was that it avoided a discussion in Australia of an independent nuclear deterrent. You might say to that, 'Well, no big deal,' but recollect that we were acquiring F111s with nuclear triggers, we were going to develop a nuclear facility at Jervis Bay and we were refusing to sign the nuclear non-proliferation treaty. Back then, in the late 1960s, when essentially Labor Party policy on the American alliance was firmed up under Gough Whitlam, it was quite a relevant argument for Gough Whitlam to say, 'No, we oppose the government going down that road. We would not go down that road itself but, Labor Party, watch this. If you decide that you are going to go armed, you will have to go armed and neutral, and armed and neutral ultimately will mean a nuclear weapon.' These were things that were still resonated in the way in which we devised policy.

Secondly, we accepted that the joint facilities were probably targets, but we accepted the risk of that for what we saw as the benefits of global stability. We did not believe that port visits and exercises posed any such risks. On the one hand, we found

ourselves dealing with genuine nuclear risk. The New Zealanders had no nuclear risk. That was another source of annoyance for us. Thirdly, we had a very difficult agenda of our own with the Americans, as I have already outlined. With the exception of the desire to be more frank about the purposes of the facilities, none of that was driven by a concern that the government was under any pressure from peace groups or opponents of the alliance within Australia.

The government was secure in the party and secure with the electorate on the issue. We were very aware that not all Americans were so convinced of our motivations and we considered that what we had to do militarily with the United States was difficult, with a small element of risk—being a nuclear target—and that none of that was a problem for our trans-Tasman partners. Fourthly, it complicated our presentations in the region of direct interest to us—I do not want to overstate it, but it was not unimportant. In the South Pacific it opened up, for the first time, a severe divergence in practice between Australia and New Zealand. New Zealand did not seek to play upon this, as far as I am aware, but it complicated our discussions on the South Pacific nuclear free zone. There was an impact, too, on our relationships with South-East Asia.

While we were trying to upgrade the Five Power Defence Arrangement, as far as our partners could see, what we were up to was withdrawing the Mirages from Butterworth. We could not justify putting in \$300 million worth of infrastructure to support the F18s in Butterworth. The F18s were an aircraft by a considerable order more complex and requiring more sophisticated support facilities than the Mirages. This was a decision that our predecessors were arriving at—and the gentleman sitting alongside me, when he determined that Tindal would be an air base—and effectively had determined at that time.

We had to explain to the Malaysians that this was not us walking out on the Five Power Defence Arrangements, that we were going to do other things to make up for that. We upgraded military activity completely, but this is a region dealing heavily in symbols and that did not look terribly good. What the Five Power Defence Arrangement colleagues were doing was placing a question mark over our commitment. New Zealand was, at the same time, withdrawing a battalion from Singapore.

Some of our interlocutors in the region were curious as to our rationalisation. I do not think many of them really trusted us on that Five Power stuff until we actually committed forces to the exercise in the Persian Gulf. Only when they knew that Australia would again deploy warships or activity overseas in a hot war situation did some of them come to the conclusion that perhaps we were dinkum about the Five Power Arrangements. The unspoken value of the relationship with Australia was not the value that came directly with the commitment of Australian armed forces. That was useful. The reality is that most of those countries in the region wanted the value of a non-aligned position, but wanted to know that there was an American trip-wire in the area and the American trip-wire was Australia. Was that compromised? Was Australia in their view suffering some part of the

New Zealand disease?

In the intelligence and exercise area, there was some bureaucratic inconvenience in the new arrangements. Additional effort did not add to Australian capabilities but did involve some expense. Having said all that, the subsequent arrangements put in place probably brought the Australia-New Zealand defence relationship as close as it had ever been, but probably not as close as it might have been.

In the early phases of the argument over ANZUS, those in New Zealand who argued against the government's course—and these were largely public service, military folk—did so in part on the basis that it would increase New Zealand's dependency on Australia. New Zealand had been able to use its relationship with distant US to hold Australia at arm's length on occasions. Ironically, the mirror image of this refrain was taken up by the peace group and others in New Zealand after the break to argue against the view that Australia and New Zealand should become closer. The two had different needs, it was argued. New Zealand would be secure with no defence and a minor coastal patrol and humanitarian aid capability.

Australia confronted threats—real and imagined—that New Zealand did not, and it was no business of New Zealand how it dealt with those threats. As the debate over the joint frigate project hotted up, this manifested itself in two sets of slogans—'Education not frigates', 'Jobs not frigates' on one side; and 'Frigates are a backdoor to ANZUS' on the other. David Lange, Frank O'Flynn and Bob Tizzard fought for a while on their own for a different strategy. This was done not without courage, because it was opposed by economic ministers, peace groups and, quite broadly, within the Labor Party.

Broadly speaking, their argument incorporated much of Australia's world view: New Zealand shared with Australia important regional responsibility; while Australia was more directly concerned with South-East Asia, it was important that New Zealand did not diverge from Australia where there were joint obligations; and New Zealand should take Australia's own security concerns seriously. In the South Pacific, New Zealand had responsibilities as broad as Australia's own. That was a paraphrase of Lange's argument.

They also picked up the maritime character of Australian strategy, taking a close interest in air and naval force structure developments, as these enhanced surveillance and interdiction. It is for New Zealanders to examine the motives for this. It is possible that it was electoral. Public opinion and the peace movement tended to part company once nuclear ship issues were off the agenda. I like to think that it also represented conviction. The minister's concern had to pay a price in their relations with the party and with some of their cabinet colleagues.

I was reminded of this when talking to Roger Douglas at Hayman Island on Saturday night. I went there to discuss these matters with the New Zealanders. I might say that it was on the basis of an invitation from the New Zealand government. They

explicitly invited me to interfere in New Zealand domestic affairs on this matter. They were quite explicit about it. I remember a discussion with Roger Douglas, who reminded me of it. He said that we are going to be all right but that he would not be voting for us. He felt that his credibility as an economic manager was reliant upon it.

Lange was particularly daring. He struck out alone on the question of retaining New Zealand's frigates capability. He defined New Zealand's interests as blue water in public speeches, and he laid down criteria in source selection, which pointed New Zealand planning in the Anzac ship direction. It is in fact the only time I have seen a Prime Minister actually lay down source selection criteria for a piece of defence procurement.

As early as 15 July 1987, when announcing plans for expansion and modernisation of New Zealand's navy, Lange said, 'The government plans to go ahead with the acquisition of a multipurpose logistic support ship, together with the projected one-for-one replacement of the frigates during the 1990s.' He also said, 'We are at the centre of a hemisphere which is mostly water. New Zealand and the islands, for which we have defence responsibility, are surrounded by large expanses of ocean. The ability of our navy to operate over those distances is a basic requirement.'

In a speech to the New Zealand Institute of International Affairs on 10 August 1988, Lange said, 'This government accepts that we have direct responsibilities in the region which we share with Australia. It is reassuring that we do not face those concerns alone. We have worked closely with the Australians; we now have a bilateral relationship of real substance.'

He also spelt out in that speech, regarding the replacement of the four ageing frigates, that there were 'compelling arguments for going the same way as the Australians if at all possible. Certainly I accept that strategic logic points us in the direction of a combined Anzac fleet'. That was a very interesting expression—'combined Anzac fleet'.

The upshot of the Australian and New Zealand government initiatives saw New Zealand acquire an additional surveillance aircraft base, operate some of their Skyhawks to help exercise Australia's maritime air defence capability, acquire the Australian manufactured rifle, and enter the Anzac ship program. The watch words were 'joint industrial development', 'interoperability' and 'extending the maritime capacity' of the two countries to exercise an aligned influence in the region.

Acquiring the Anzacs was placed definitively within a context of maritime capabilities that were aligned with Australian definitions of military strategy. New Zealand had a chance to isolate itself then but chose not to. There has always been a bit of niggles in Australia-New Zealand relationships, and that includes the bilateral defence relationship. Curiously, those half dozen years were about as close as we have ever been in practical terms outside wartime.

There are a number of interesting what-ifs about all this. As we came together, some seemed possible. Though never seriously or officially proposed, conversations were replete with the possibilities of merged armed forces. Our worries here were about declining New Zealand defence expenditures. Would that upset the applecart? Frank O'Flynn wondered whether it was more sensible to bring the New Zealand battalion back from Singapore to northern Australia rather than New Zealand itself. We began to wonder whether the cost and complexity of current weapon systems would not do what the ANZUS divisions failed to do and take genuine interoperability between Australia and New Zealand off the agenda. That probably still is a consideration in all of this.

What of the American response? The Americans throughout have remained highly conscious of the possibility that their approval of an inability to access New Zealand ports without a declaration will ultimately, if not immediately, impact on Australia and elsewhere. Argument about restoration of trilateral ANZUS, whilst on the agenda from time to time, still founders on this. There is little pressure from New Zealand to resume, even after years of national government. New Zealand found the military loss acceptable, particularly after trade sanctions failed to materialise. Generally, the United States has been encouraging of Australian-New Zealand bilaterals. Hopefully one day something might emerge from this and find New Zealand prepared to get up to speed on a position that the Americans can accept and a trilateral agreement might be fully operational again. Nobody is holding their breath for that outcome.

If I look back, but then I wonder really whether it would have been possible, I see that the thing that I have most regret about in terms of the cross-Tasman relationship was that in the 1980s I think there was actually a serious possibility whereby we might have discussed effective joint forces—actually put meaning into the term 'Anzac'. Certainly many of the New Zealander officials wanted that. Certainly my New Zealand ministerial colleagues were prepared to speculate on that. Lange got as close to it in that quote that I just outlined on what was effectively discussing a combined navy.

Of course, it was not possible in circumstances that ANZUS threw up, because you could not have combined forces where the doctrine of those forces was being developed essentially by intelligence reporting that had considerable American sourced content within it and with exercise manuals and all the other things associated with it. But there certainly was an opportunity there to restructure our defence forces as New Zealand withdrew from South-East Asia, as we ourselves became conscious of the enormous expense entailed in effectively exercising a self-reliant defence over 10 per cent of the Earth's surface. There was an opportunity there which was probably missed, but maybe not forever.

CHAIRMAN - Thank you very much, Mr Beazley. I think this episode in relation to New Zealand is one of the most fascinating diplomatic instances in the life of the ANZUS agreement. This morning we have been very fortunate to have had such a lucid explanation both from the former Minister for Defence and from Dr Woodman on this. I think it is the first time much of that information has been put on the public record. I now

open the seminar up to questions.

Dr TOW—In 1985 I was one of the two or three outsiders, academics, to testify before Steve Solarz's subcommittees after the ANZUS dispute intensified. One of the things that Solarz circulated was a hypothetical piece of legislation for trade sanctions against New Zealand. I remember explicitly all of us for a number of reasons arguing against that particular policy option. I was therefore fascinated when you indicated that in the subsequent years the national government had become, I guess, reconciled to the anti-nuclear aspect, not just because of the 70 per cent steady resistance rate among the New Zealand electorate. You intimated the sanctions factor. Do you think that, if the Americans had imposed sanctions and then a national government had perhaps come sooner or later into power in New Zealand, that would have made a difference?

Mr BEAZLEY—I do not know. Probably not to the Labour government; I do not think it would have made any difference to the Labour government. What it would have done to the nationals, I really do not know. But I think it would have been seen as a disproportionate response, and within the American bureaucracy seen as a disproportionate response.

Basically, the Americans were not worried about the New Zealanders. They were worried about us and they were particularly worried about the Japanese, because the Americans regarded themselves as doing serious business with us and with the Japanese. At the time they were also bracing the Europeans on cruise missiles and, in any case, there was that world view that America was making a sea change shift to a different view of deterrence. So they were focused elsewhere, but suddenly this problem emerged which might create problems for them elsewhere.

I think they considered—this is not necessarily based on intimate knowledge but a guess—that if they were to accept what the New Zealanders did it would make it impossible for us and for their Japanese friends to argue, inside our two domestic policies, that there would not be a similar absence of penalty from withdrawing ship visit opportunities ourselves. But the mere cut-off of military relationships with New Zealand was enough to send a signal into our two systems that this would be an unwise course to follow.

While some characters in CINCPAC thought that trade sanctions should be imposed and they were very strong advocates of other forms of sanctions on New Zealand, I did not detect any enthusiasm in the American administration for going down that road.

Dr WOOLCOTT—I recall that in 1989-90 there was some resentment in New Zealand, because they felt that Australia was not leaving the situation to the United States and New Zealand to work out but was in fact pressing the United States to, if you like, maintain the rage or keep New Zealand in the sin bin for longer than they thought might be necessary, for reasons which were not really clear to them—although they tended to

attribute our hardline stance in Washington to concerns within our government as to what might happen if that hardline stance towards New Zealand was weakened. I do not know whether you agree with that or would like to comment on it.

Mr BEAZLEY—I will try to think back honestly because views changed at different times. Early on, we might have been quite genuinely concerned that problems would arise in Australian domestic politics if the United States relaxed on the nuclear ships issue. This was an active policy debate inside Australia, and great care had been exercised to ensure that these visits took place safely and the rest of it. We might have had that concern.

I suspect that by 1989-90 we were pretty confident that we could control whatever emerged in Australia, but I think we could always see the American point of view on this. So it was not a matter of actually encouraging the Americans to be hard line. As I tried to point out, we had our own fish to fry with the New Zealanders and we did lots of good things with them. We disagreed with their policy one hundred per cent. We did not think it was a sensible policy, we did not think it was an upright policy, we did not think it was a peace enhancing policy and we did not think it was a sensible safety policy. We all thought it was a bit indulgent.

You would never have heard anything from an Australian politician that gave any New Zealander any comfort in the United States on those matters, although I think we would have gone into bat if anyone had gone down the road of trade sanctions. I think we would have raised the point that that was a disproportionate response in that instance. But we did not actually perceive that as a likelihood. So I think perhaps the New Zealanders may have been misinterpreting hefty pressure as annoyance.

Prof. DIBB—I wonder whether I could pick up a couple of points that both Mr Beazley and Dr Woodman have raised and look a little bit into the future, which is where Mr Beazley finished. First of all, as to the New Zealand defence budget, on my calculations the New Zealand defence budget since 1990 has declined in real terms, net of inflation, by 30 per cent—a very substantial reduction. When you take out of their budget the charges they make for depreciation and their capital taxes—a non-productive area of defence activity—you end up with a budget in Australian dollar terms of a little over \$1 billion. About \$500 million of that goes to salaries, about \$300 million goes to operating costs, and it leaves a little over \$200 million a year for capital expenditure. This last year, with the ANZAC ship payments, it has been a bit over \$300 million; in the current financial year it will be about \$230 million or \$240 million. That is about 10 per cent of what we spend on capital procurement. Clearly it is a ratio out of all proportion to the relative population differences.

That raises the question whether, as Stuart Woodman asked, New Zealand defence spending is falling below the credible minimum that they proclaimed in their 1991 white paper. I think I would have to say that they are getting extremely close to that, if they

have not already fallen through the minimum.

I think it is possible to be slightly optimistic about whether New Zealand has turned the corner in terms of both attitudes and budgetary financing of the defence vote. The economic reforms that have brought large budget surpluses, which have been focused on both education and social welfare, may well leave some growth for additional allocations to defence. The question is whether New Zealand has the political will, and I think the jury is out on that. I think the jury is out even though we have seen some very positive and encouraging statements about replacements for A4s, the prospects for additional ANZAC frigates and so on.

Speaking more positively, the point that Mr Beazley raised about the augmentation of our own defence force is a very real one and one that in some quarters in Canberra is glossed over. I think if any nation would come to our combat support other than the United States it would be New Zealand, and some would argue New Zealand would do it before the United States—proximity, kith and kin and so on. Whilst it is true that I have serious concerns about whether New Zealand has fallen below the credible minimum, I think that if they can turn the budget around and the political will then there is reasonable prognosis for that. A modernised New Zealand defence force that could add, say, two ready battalions to our own capabilities, three or, hopefully, four ANZAC frigates, the operation of modernised P3 Orions and perhaps new C130 Hercules, plus the same small arms capability, let alone the common officer education, clearly would augment our own force by 20 to 25 per cent. That is not something to be ignored in terms of defence of Australia concepts.

But none of that, however it evolves, is to be optimistic about the problems that both your speakers have outlined with regard to the difficulties of the alliance with the United States. I share Mr Beazley's pessimism of any imminent or short-term breakthrough in that regard. I for one do not see United States policy changing on nuclear powered warships. I think they, the United States, and we, Australia, have gone as far as we can go to reassure New Zealand about the safety of those visits, and Lord knows, as Mr Beazley said, we went into great detail, and you will recall the Senate inquiries we had on that issue. That is an issue, by the way, that clearly satisfies Japan with regard to nuclear powered warships.

As to some of the differences that will still exist and may indeed widen, there are two other issues I want to leave you with. I will address both of these this afternoon but, very briefly, firstly, I believe that any Australian government will still require the reassurance of America's extended nuclear deterrence, even though the Soviet Union has disappeared. There is at least one Asian power with missiles capable of targeting Australia, and it is modernising those missiles both in terms of range and of numbers of warheads. But, as you have seen in the recent press, we are concerned about the proliferation of shorter range ballistic missiles, and the technology for that is clearly proliferating.

Secondly, as Australia goes down the information warfare route—knowledge based warfare, if you like—which is decisively the way we will go, as Admiral Walls will tell you - I see a problem relating to the pace in which we modernise forces. New Zealand will probably not modernise its forces in the same way. Over a period of, say, a decade, that will raise serious problems—not so much for our interoperability with the United States, although that will clearly challenge us, but for our interoperability with New Zealand.

Mr DALRYMPLE—I want first to respond, if I may to Bill Tow's question—or to add to the response which was given to that. Solarz's idea or proposal for considering trade sanctions against New Zealand had no chance at all of getting up under the Reagan administration. One of the firmest positions that George Schultz adopted vis-a-vis Australia during his time as Secretary of State was that there was to be no linking of trade and defence security issues. I am not sure what the connection was between the very strong and firm position of the administration and that Solarz probing that Dr Tow mentioned, but I am quite sure that their position would have precluded them taking up the Solarz position.

I would like to say a couple of things about Mr Beazley's masterful presentation just now, which I enjoyed enormously and which added something to my knowledge, even though during the times he was talking about—1985-1989—I was Australian ambassador in Washington. Firstly, the factor of personalities in all that development should not be underrated. Although, as Mr Beazley said, in subsequent years and in subsequent discussions with Australia Mr Lange apparently took a fairly enlightened position, at the time in Washington his involvement was the despair of the people in the administration and on Capitol Hill who were hopeful that it might still be possible to rescue something from the situation. It was also the despair of at least some of my political masters in Canberra.

I can remember a very senior American official saying to me that the word 'flaky' must have been invented to apply to Mr Lange. There was a feeling that he was insouciant and did not really take seriously what, to the Reagan administration at that time, were the most important questions in the world. As Kim Beazley said, it was a hot time in the Cold War. It was also the time when SDI was becoming more than just a concept and starting to get prominence and become promoted. It was a time when the idea was around that, by standing firm and holding the alliances firm and putting more competitive pressure on the Soviet Union, you might be able to bring down the whole of the Communist Soviet system. For many of us it has always been rather difficult to accept that the Reagan concept was, after all, the correct one.

That the New Zealanders seemed not to be prepared to take any of that seriously was really a factor in the way things developed. It was also a source of considerable irritation on the Australian side. I can remember reading in a cable or a press report an account of what had happened after the first Hawke-Lange meeting, which was over

lunch. If I am not mistaken, it was in Port Moresby. The report said that, as Hawke came out of this meeting with Lange, reporters rushed up to him, having heard that there were differences in their views about a number of things, including particularly the nuclear ships issue, and thrust microphones at him and said, 'Mr Hawke, what differences emerged between you and Mr Lange?' Hawke said, 'The main difference that emerged very quickly was that he has a much larger appetite than I have.'

I think that encapsulates the feeling that there was not a serious enough understanding on the New Zealand side of the gravity of the issues concerned. It was said by Dr Woodman that the New Zealand government at the time had huge difficulty, and probably impossible difficulties, in convincing the New Zealand public or constituencies on the New Zealand side that there were serious matters involved and that there were serious reasons for New Zealand not getting into a situation which would mean the end of ANZUS or New Zealand's withdraw from ANZUS.

It is hard, looking at it from the position of one who was in Washington at the time, to see whether the strongest arguments were fully deployed. There was the one that I have just mentioned about the nature of the Cold War at the time, but there was also no mention in what he said about the interest that New Zealand traditionally had, and I imagine still has, in the defence of Australia. Here was an issue which the Australian government at the time thought went right to the heart of Australian security and Australian defence interests. But the New Zealand government, the major New Zealand political interests at the time, seemed at least to Australian perceptions really not to factor that in very prominently. That certainly contributed to the feelings of puzzlement and dissatisfaction on the Australian side. This is not to say that, as Mr Beazley said, the Australian side was not doing all it could in many ways to try to, without interfering in New Zealand politics, talk to New Zealand about the issues that were involved on the American side.

It was difficult for Bill Rolling, their ambassador in Washington, who had been I think one of the authors of the anti-nuclear ship policy on the New Zealand side. He really just hated having to talk about this subject in Washington. He was the nicest person you could ever meet, but he had just an impossible position. I think he devoted his energies largely to marathon running and his horse breeding interests in New Zealand, because there was not a very practical role that he could play. I think that is probably another misfortune of the whole situation—that there was not someone there who could have perhaps played a more active role. Those are just some reflections on the past. Thank you, Mr Chairman.

Mr BEAZLEY—I want to pick up on what Dr Dibb and Mr Dalrymple had to say. To get a comprehension of this, you have to see some actual fundamental differences in perspectives of the Australian Labor Party and the New Zealand Labour Party. They also mirror New Zealand perspectives, which I was always conscious of trying to overcome in some way and acknowledge that life was a lot harder for my New Zealand

colleagues in purely political terms than it was for me.

There has never been in the Australian Labor Party, at least since World War II, a serious pacifist strand. The argument in the Australian Labor Party has been between the supporters of the American alliances and the supporters of an armed and neutral stance. There has not been a serious argument in the Labor Party against a defence posture for Australia. There has been great pride in the role of the Curtin Labor Government during World War II and, if anything, from time to time, you can see a logic in the armed and neutral case which would actually see defence expenditure rise. There has never been that sort of concern in the Labor Party that would have led to a purely pacifist argument against the defence posture. In the New Zealand Labour Party and in New Zealand, that was not so.

The world and the region around us for me, as defence minister, looked potentially to have some threatening or puzzling aspects to it. There was a determination that we should have the capacity to meet it. Ironically, most of our defence planning could seat either argument. Most of our defence planning could be justified within the framework of an armed and neutral stance when we happened to be in government or within a pro-alliance stance. There are a few things you would have had to do, such as a couple of billion dollars worth on the armed and neutral side, if you were going to replicate, and you could not do fully some of the intelligence, early warning and other things that would have come with having to supplant what the United States did with us—and there are some incalculable diplomatic elements to it too—but the Australian Labor Party's defence policy was an easy thing to sell within the framework of the Australian Labor Party.

It was very hard for the New Zealanders to work out why New Zealand should be defended at all. A logical argument could be made that nobody could get at the New Zealanders without coming through Australia, and you could point to things like if the Japanese had really wanted to cut us off from the Americans during World War II they could have rocked on down to New Zealand and left Australia alone completely, but this does not lie within the historical strategic thinking in New Zealand at all. Hence, during World War II the New Zealand divisions stayed in Europe while the Australian divisions came home.

I think that act very much reflects a very different perspective between Australia and New Zealand, and it goes back as far as World War II, on that front. So to try to convey to the New Zealanders that they ought to take as their first point of departure in defence planning what Australia wanted was to invite an independent people to surrender independence. Our argument was that they should do that, that they should see the world that way, but one had to concede certain difficulty in getting that across.

I have to say that, for all his faults, David Lange for a brief time—since then he seems to have recanted somewhat—did see the world that way. Frank O'Flynn saw the world that way and Bob Tizzard saw the world that way just for a very brief period. The

problem is that I am not sure how we actually had the possibility of putting in place the institutional frameworks that sustained it; hence the sort of sad statistics that Paul went into on defence expenditures.

Ambassador TEARE—Just another bit of history. Mr Beazley, in his brilliant presentation, referred twice to cruise missiles and I wanted to amplify that just a little. This also underscores the point made by Mr Dalrymple. At the time in question the United States was asking the Netherlands and Italy to accept on their soil the stationing of Pershings and cruise missiles which, very definitely, would have made them targets—or to a greater degree than they already were. The Soviet Union brought heavy pressure on them and on other Western European countries by absenting itself from the disarmament talks in Geneva for about a year and a half, and it was very difficult for the governments in both those countries. In the end, they stood firm with the rest of the West, they accepted the stationing, and the rest is history.

The United States was very conscious of what it was asking them to do and, therefore, felt all the more let down by New Zealand, of whom nothing additional was being asked. I am not sure whether that point was appreciated in New Zealand at the time or is yet today, but it is nevertheless a factor in the vehemence, if you will, of the American response. Dr Woodman would probably put that in the category of alliance discipline. I think of it as a sort of higher standard than that.

Dr WOODMAN—I would fully go along with that comment. I think the thing, though, that comes out of all these discussions is very much how when we talked about alliance in the mid-1980s it was a single line statement: we are all on the same team and we are all doing the same thing. I think that what happened, in a sense, over the nuclear debate, putting that aside, was that the players had to start seeing each other as individuals, which was something we really had not done before. That is going to be the challenge in the future for the alliance, certainly as a tripartite alliance.

Paul raised the comments about the adequacy of New Zealand's defence capabilities. There are lots of different ways you can measure contributions. One of the ways can be a commitment to a common nuclear stance. Another way can be when you are actually sitting at the ASEAN Regional Forum and participating there as an extra body on a consistent line. A third way of judging it can be the sorts of figures that Paul put forward about comparative defence budgets and the like.

The difficulty that the other players have to realise about New Zealand is that it is relatively a lot smaller and New Zealand itself has not been very good in articulating the best sort of contribution it can make as, in a sense, the smaller partner. If we carry on just looking at it in the traditional boxes, in a sense we are excluding any chance of getting the maximum value out of each individual player as they stand. It is not going to be an easy challenge, but it is one that, as far as a tripartite arrangement goes, we need to look at in the future.

CHAIRMAN—We must bring this session to a close. The last question goes to Professor Garnaut.

Prof. GARNAUT—Continuing with Mr Beazley's fascinating discussion of the missed opportunity of joint forces, the divergent New Zealand strategic perspectives follow from the Australian historical emphasis on defence threats coming from Asia. For a number of years now, I have been coming to the view that the most probable fundamental strategic threat to Australia requiring large-scale deployment of our armed forces is likely to come from a failure of development and breakdown of order through the Melanesian and Polynesian states of the Pacific, the area from Vanimo stretching out to Polynesia.

If this perspective has anything in it, and if it is going to become more important or more relevant in future, would this mean that there is less likely to be a divergent New Zealand perspective on security interests and, therefore, greater opportunity to discuss joint forces?

Mr BEAZLEY—As a Western Australian, I live with a map of Australia that is a bit different from the average Australian. As somebody who loves the north, that adds a different framework to it altogether. Distances in the north are minuscule. Distances from the south are great. Distances from across the Tasman are even greater. I have actually stood in part of Australia and seen Indonesia. You can actually do that from Saibai Island. This is a really very different perspective from what you see when you are actually in New Zealand.

If there was a surge of boat people, which would result from the sort of breakdown that you are talking about, I am not sure that they would turn up in New Zealand. I think they would turn up in Australia, but they would not turn up in New Zealand, so I do not know if that fact alone would change New Zealand's views.

I do not want to overdo this particular element of the case—I think there are other issues involved in all of this—but I did think at the time and did try to introduce the New Zealanders to a different view and then suggest, in the way in which they went through their own reformulations of how they saw the world, that they tried the argument, which is a step further beyond the Australian self-reliant argument and a very difficult one to sustain—self-reliance is an easy argument to have—'Australian self-reliance and survival is critical. How can we contribute to that? If Australia goes, then there is a substantial problem. We can contribute to that by having interoperability of our forces, making a serious effort and trying to enhance whatever capabilities Australia has, and that becomes the primary judgment for our force structure.' I think that that would be a sensible attitude for a New Zealand defence minister to take. But it is a pretty hard one to sell politically.

CHAIRMAN—We must bring this session to a close. On your behalf, I would like to thank the speakers for the excellent presentations given this morning. From a personal point of view, I am sorry that in the last session no-one raised the concept as to whether

Australia and New Zealand will have as unified a view of the world as they had in the earlier part of this century. I have a private view that probably the development and the interests of New Zealand will be quite divergent from Australia in another 20 or 30 years time and that this will have implications for our alliances, both commercially and in a defence role—although it is not the role of the chairman to take part in the debate. Thank you very much for your attendance.

Luncheon adjournment

SESSION 3: FACTORS INFLUENCING ANZUS

The Asia Pacific Region post Cold War **Professor Paul Dibb**
The Economic/Political Interface **Mr Phil Scanlan**
Changing Technology and Interoperability **Dr Alan Stephens**

CHAIRMAN—Ladies and gentlemen, welcome back for session 3 of the seminar. What we dealt with this morning was the past. We are now going to move into the present with an eye towards the future. A number of things obviously influence the present, and they are the shifting economic, political and technological relativities which put pressure on any security relationship. In the 45 years since the ratification of the ANZUS Treaty there have been many momentous changes which have produced corresponding shifts in the focus of ANZUS. But it is a truism in politics that nothing is ever completed; therefore, treaties and relationships are always in a dynamic state.

The first speaker this afternoon to speak on the Asia-Pacific region post Cold War is Professor Paul Dibb. He is Head of the Strategic and Defence Studies Centre at the Australian National University. Most of you will be very familiar with his longstanding involvement in Australia's defence policy, particularly in relation to strategic and defence matters. He was previously Deputy Secretary for Strategy and Intelligence in the Department of Defence; he was director of the JIO; and he was a ministerial consultant to the Minister for Defence. He conducted the 1986 review of Australia's defence capability which led largely to the government's 1987 defence white paper. I now turn the seminar over to Professor Dibb to speak on the Asia-Pacific region post Cold War.

Prof. DIBB—Thank you, Mr Chairman. I might add that I first started working as an intelligence officer on the US relationship in 1970 and that continued, as the chairman has said, to the final position I held in Defence of managing the US defence relationship, including all aspects of the defence intelligence relationship. I have attended one of the AUSMIN talks and one of those series of talks that have not been mentioned yet but used to be called Defence-to-defence talks, which were the highest level official talks between the United States and Australia.

There has been some mention made this morning of birthdays and, given my background, it would be remiss of me not to remind you—in case you have forgotten—that this year is the 50th anniversary of the Defence Signals Directorate and its relationship with the United States, and that later this year it is the 50th anniversary of my old organisation, now the Defence Intelligence Organisation. I do not have a formal paper. I shall speak from some notes. I have a document that I wrote last year entitled *The emerging geopolitics of the Asia-Pacific region* which I will table for background information.

I propose to address three issues this afternoon in the time available: firstly, I will outline the process of political change in the Asia-Pacific region after the Cold War and

identify some new areas of strategic concern; secondly, I will assess the implications for US defence policy; and, thirdly, I will suggest what this means for ANZUS. Others will address the last two issues—that is, US policy and ANZUS—in much more detail than I am able to. I just want to touch on those issues towards the end of my address.

I will focus in particular on the Asia-Pacific region after the Cold War. Let me start by reflecting on the fact that we continue to use the term ‘post Cold War’ seven to eight years after the event, and that in itself tells us something about the uncertainty of how we describe our current strategic era. We are clearly in an interregnum between the previous 50 years of experience of the Cold War, which for most of us in this room have been our formative years, and some new strategic situation that is as yet unclear, including in the Asia-Pacific region. I too will use the term ‘post Cold War’ but I do not like it. You might ask me what I am for: I am for either the ‘era of strategic uncertainty’ or, if you want to be more dramatic, as a former defence planner - the ‘era of strategic discontinuities’.

Given my background, I will speak particularly from a defence planning point of view and I will be addressing issues that, should they go wrong, will affect the seriousness of our national security. In that sense, when Ross Garnaut raised the issue of problems of upheaval in the South Pacific, that is something I take very seriously in terms of the national interest. From a defence planning point of view, that would have some implications, but it would not be an issue of the first order of magnitude. Defence planning is more often about thinking the unthinkable and preparing for strategic discontinuities when our foreign and trade policies have got it wrong.

The first point I want to make is the important thing that has changed in the post Cold War strategic situation is that, if Australia faces any threats, they will be regional threats rather than global threats. And that indeed is a change from the last 50 years when, whether we liked it or not, we were fundamentally concerned with the issue—which was a real and pressing one—of the global, ideological and military threat from the former Soviet Union. The Soviet Union is dead. The only global power now and in the foreseeable future is the United States. The issues that will affect Australian defence policy, and by and large our national security interests, will be increasingly regional rather than global in focus.

In the Asia-Pacific region, there are at least two points of view about the future strategic outlook after the end of the Cold War. There is a more optimistic point of view, which traditionally is reflected more out of South-East Asia than it is out of North-East Asia, more out of foreign affairs departments than defence departments and more, if I might say so, out of economic rationalists and people who believe in economic interdependence than defence planners. The latter group, the defence planners—naturally, given their backgrounds—are more committed to the ‘what if something goes wrong’ scenarios. This is not to predict a region of great strategic threat or instability, neither is it to guarantee that economic interdependence and dynamic economic growth by themselves

are sufficient conditions for the securing of peace in the region. They are necessary conditions in my view, but they are by no means sufficient conditions.

I suppose that, from where I stand these days, I have an attitude of qualified optimism for the mid term—that is, the next five to eight years—but with increasing concern about where strategic trends could leave Australia 10 to 15 years from now. This morning Ambassador Holmes in her address talked about the arrival of stability in the post Cold War period but she qualified that by a very correct view, in my view, about her worry on what would happen if the United States was not engaged. She asked whether there would be a power vacuum, and the answer is yes.

In short—so you know where I am coming from—I believe that over the next 10 to 15 years we could face a changed balance of power in the Asia-Pacific region that is not necessarily in our favour. We need to worry about Asia, and most importantly South-East Asia, being potentially dominated by any one major Asian power. We need to be concerned about our diminishing strategic mass and military edge and the balance of power—I want to come back to those as two major themes.

I am of the view that ANZUS in these changed strategic circumstances, which quintessentially for us will be regional strategic circumstances, will become more not less important to Australia. I do not consider that multilateral forums, such as the ASEAN Regional Forum or APEC, will replace in any way our need for a robust bilateral alliance with the United States. I think Australia will continue to gain incalculable benefits from being America's closest ally in the region. Some would argue that Japan is the most important ally of the United States—that may or may not be the case—but there is no doubt which is the closest ally of the United States in the region. I think that this requirement to remain the closest ally of the United States will be especially so as we seek to replace our previous military advantage in combat platforms with the information or knowledge based edge—what some people call the revolution in military affairs.

Turning to the region, there are two trends I want to identify regarding the region in the post Cold War period: the first is the changed geopolitical situation, and the second is the prospects for radical change in the strategic potential of regional countries. But first let us remember what the Asia-Pacific region looked like during the Cold War. By and large, it was characterised by ideological cleavages between the United States and the Soviet Union, between North and South Korea, and between north and south Vietnam. There was an array of allies of the United States—Japan, Australia, New Zealand, Philippines, Thailand—and there was an array of Soviet allies or client states including North Korea, for a time China, Vietnam and India. That has clearly all changed and so, by the way, has China's relevance as a geostrategic offset to the Soviet Union. That has now gone.

United States interests in the Asia-Pacific region, in my experience throughout the 1970s and 1980s, were dominated by one thing and one thing only, and that was the

Soviet Union. As somebody who, in his earlier years spent a great deal of his time—wasted time—on scrutinising the Soviet military presence at Cam Ranh Bay, which I knew like the back of my hand even though I had never been there, it is interesting to reflect back on how one's career has gone. The Soviet threat naturally was an overwhelming issue for the United States.

When I used to go to Washington, if one wanted to talk about China, Japan, Vietnam, Papua New Guinea or the South Pacific, it always came back to one thing and one thing only—the Soviet Union. That has gone; so have the ideological cleavages. Given the history and culture of complexity in Asia I would argue that what was a fairly complex and unnatural strategic balance has gone too. I believe now that there is no natural balance of power in the Asia-Pacific region, certainly no natural balance between China and Japan. That is where the crucial balancing factor of the United States and therefore our alliance comes in.

Turning to the geopolitics of the Asia-Pacific region now and in the future: now I see a strategic situation that is more fluid, although not necessarily directly more militarily threatening, more complex and more uncertain. Those fluidities, those uncertainties, mean that if we shape our regional strategic environment with the help of the United States, then the positive factors will prevail, including the economic positive factors. But there are sufficient outstanding historical, ideological and territorial issues, plus a tendency for Asia to arm itself, that if we do not shape the regional security environment successfully, then my pessimistic concerns will come more to the forefront.

Key amongst the geopolitics of the region is the rise of China to power. The great question of our time—and President Clinton raised this last November when he visited Australia—is whether China will be a peaceful and cooperative member of the community of nation states or an aggressive expansionist power. It is possible at present to see elements of both in Chinese policy and, as far as I am concerned at present—to use a phrase I used earlier this morning—the jury is out on China.

Vietnam is now a member of ASEAN. ASEAN now has nine members—perhaps soon 10 members—with a population of half a billion. As a cooperative group of middle sized powers it will form a strategic shield to our northern approaches. The obverse of that argument is equally obvious, isn't it? That is, a weakened, disunited ASEAN dominated by some external power would not be in Australia's long-term geopolitical interests.

Russia is a weak power - now and foreseeably - although I am one of those who believe that American assessments of the Soviet Union have now swung from one extreme to the other: that is, from seeing the Soviets as 15 feet tall when they were about 5½ feet, to now seeing them as midgets. That gravely underestimates Russian history, culture and their potential resource base.

There is the question of the rise of Japan—a more independent Japan and a Japan

that will not necessarily share the same strategic worries as the United States. If you read the most recent Japanese defence white paper, you will see a view about China, about the possibility of a unified Korea and certainly about the possibility of a re-emerged militarised Russia that is different from the views of the United States. In the Cold War, going to Tokyo was precisely like going to Washington on matters Soviet. We now have a more independent Japanese strategic concept.

Some would argue that India will rise to power and be a significant player in the balance of power. I bow to the economists on this. If they are right about six per cent compound growth rates in a reformed India, then I for one would look forward to a democratic India being a significant player in the balance of power. But I have to say that, from what little I know of India, India's geography, history and obsession with Pakistan, moves against it.

Certainly there are risks of discontinuities: a unified Korea, a war between China and Taiwan and the emergence of asymmetries of power that did not exist so obviously in the Cold War period—the asymmetry of power between China and Japan being one example. But, as I said at the outset, there is no natural local balance of power between the Asian great powers—not between China and Japan, not between China and India, nor any permutation of those powers. All countries in the region—except North Korea and, in my view, China—want to see the United States remain, including remain militarily. North Korea does not and China has changed its view on that issue in the last 18 months or so.

After the fall of the Soviet Union some, and I have to admit myself, expected the United States to be rather less interested in Asia given its traditional east coast focus on Europe. Some thought that perhaps there would be fewer forward based US troops committed by the United States and that perhaps alliances, including the ANZUS alliance, would decline in importance. Given the fact that, although ANZUS was not created on the crucible of the Cold War—as Peter Edwards reminded us, it was due to our perceptions about Japan—ANZUS as an operational treaty certainly throughout the late 1960s and the whole of the 1970s and 1980s was to do with the Soviet Union. If you take the Soviet Union away, what is the relevance of the treaty?

Indeed, that negative judgment has proven to be wrong. I think some of us also expected the United States defence budget to be very substantially slashed. The budget has been reduced from \$US300 billion a year to about \$US250 billion a year. That is a decrease but it is by no means a collapse of American defence spending. Two hundred and fifty billion US dollars is a lot of money by anybody's standards.

Why have these sorts of prognostications about declining US interests—of course, we heard a lot about US declinism several years ago in the international relations literature—been proven wrong? While there are other experts here, other than me, on the United States, clearly there is the growing economic importance of Asia with the shift in the locus of world economic growth to Asia. As Ross Garnaut and his colleagues have

reminded us, Asia is as important as Europe or the United States and, if growth rates continue on at that differential rate, Asia will become more important. Certainly, if you look at Professor Garnaut's calculations of purchasing power parity equivalent, the emergence of China as the region's largest economy by, say, 2010 or 2015 is an issue of considerable strategic as well as outright economic importance.

The second issue is that the United States has uncertainties about the future of North Korea and the Korean peninsula, about whether China will or will not use military force against Taiwan and about the potential for conflict in the South China Sea, through which about half of the world's maritime traffic passes—whether you measure that in terms of tonnage or numbers of hulls. A number of countries in the region, including Australia, are now more concerned about their strategic outlook. That was reflected in the previous government's 1994 defence white paper. I will be interested to see what is said later this year when this government makes a major release on defence policy.

Economic growth at sustained growth rates of eight to 10 per cent is leading to new powers emerging everywhere throughout the region—China, Japan historically and India potentially—but also new important middle powers such as Indonesia, Vietnam, Taiwan and certainly South Korea, and with the prospect of a unified Korea of 70 million people. I guess I would have included Thailand in that description, although their banking problems would lead me to some caution right now.

The question is will we see new alignments in a shift of balance of power? Classically, when the balance of power shifts, as older powers either decline or do not increase their power and as new powers emerge, it is a dangerous situation for middle powers. Certainly that was the case in the second half of the 19th century in Europe when smaller powers were carved up. This is a non-trivial issue for Australia as a middle power—and, as I would argue, the leading middle power in South-East Asia.

Might we see in shifting balance of power terms new alliances and new alignments emerge? Yes, we have a new alignment, and that is the Australia-Indonesia agreement on maintaining security. Might we think of some other such situations?

You might ask amongst all this: what about multilateralism, what about the ASEAN Regional Forum and what about APEC? These are very rough guesstimates on my part, but, at present, if you look at Australia's external national security interests, I would divide the percentage up something like this - and you can disagree with me. Firstly, the capacity for the defence of Australia in defending ourselves against external tasks—which that economic rationalist Adam Smith described as 'the first priority of the sovereign of the realm'— would be about 50 per cent; secondly, bilateral relationships, including alliances, would be about 40 per cent; and, lastly, multilateralism would be about 10 per cent.

The question is: over the next 10 or 15 years will that multilateral part grow

relatively to, say, 20 per cent of importance—and this would be an upper figure in my view—and, if so, where would the other adjustments be? Would they be, for instance, to a reduced relevance of the defence of Australia concepts?

The next issue I want to mention is the change in ‘strategic potential’ of countries in the region. We mention in the 1994 defence white paper that the concept is that combination of economic power and technological capability - and I would add educational capacity - that could realise quickly military power. You notice I do not use the terms - ‘territory’ and ‘population’. As Stewart Harris, a colleague at the university, would remind us, that is old geopolitical thinking. It is now economic, technological and educational power that matters.

What has happened in terms of the military capabilities in the region is that sustained economic growth now means that Asia, contrary to the views of the ‘peace in Asia’ lobby, is now spending \$US160 billion a year on defence. That is four times as much as the Middle East and not quite as much as NATO Europe. But, by the year 2000 on the trend line, Asia will spend more than NATO Europe. Those comparisons in themselves do not mean anything in terms of contending capabilities but they give the lie to the view that is put around, including in some parts of the region, that Asia faces a ‘Pacific century’ not least because in the last 10 years real defence spending in the region, net of inflation, has increased by 35 per cent.

Asia is now the big global arms market, the big growth market. The other markets have either declined like the former Soviet Union, the United States or western Europe; or they are dead flat like the Middle East because of their inability to absorb more. As my colleague Professor Ball has pointed out, there is no arms race in the region but there are certainly competitive build-ups.

There is certainly no power projection capabilities yet in the region—by which I mean long-range, land-based strike bombers; aircraft carriers; or large-scale long-range amphibious assault forces. But, short of those capabilities, everywhere in the region is purchasing modern, advanced combat aircraft like FA18s and Sukhoi 30s with beyond visual range missile systems, which were not in the order of battle as recently as three or four years ago; modern surface fleets with Harpoon or Exocet missiles, embarked helicopters, modern sonars, modern combat data systems; modern, quiet submarines with advanced weapons systems; and also electronic warfare capabilities, encryption devices and frequency hopping radios. I was at an arms exhibit in Singapore in January and went—unbelievably—to an Israeli booth which had encryption devices for sale. That is the change from the Cold War situation.

By 2015 Asia’s military position will be greatly changed. That will mean that Australia’s relative strategic mass, which is the third point I want to come on to, will have greatly changed. Fifteen years or so ago, Admiral Walls and I remember that we used to say, ‘Well, Australia spent more on defence than the ASEAN group put together.’ Why

was that? Well, our economy was larger than all the ASEAN group put together. Even if you did not increase the number of ASEAN members in the intervening period—and stayed with, for instance, the ASEAN six of that time—you would now find we are spending less than two-thirds—more like 60 per cent—of what that group spends on defence.

What is the reason for that? The economy has declined relatively in strategic mass. Those figures in themselves are not to see threats from ASEAN, demonstrably. But they are important in terms of Australia's strategic weight and influence in the region. Those trends are going to continue. That means we are going to have to work harder at the game of being relevant, first, in terms of the capacity to defend Australia; second, to show leadership in the region, which has been one of our key roles through successive governments; and, third, so that we can shape the regional strategic environment to our advantage as an important middle power. But we are going to have to do that against the sense of a relative decline in our strategic and military mass.

Without United States support for that endeavour of relevance, leadership and capacity to defend ourselves then, as Mr Beazley pointed out, you would have to think of not spending \$10 billion a year on defence but—pluck a figure out of the air—how about \$20 billion a year? This is particularly true as we move down the knowledge-based warfare track, where our advantage in intelligence, surveillance and reconnaissance, command and control and our capacity to integrate complex combat systems still give us a significant edge in the region—and I believe will continue to, with American assistance.

This brings me to the question, finally, of United States defence policies in the Asia-Pacific region and their importance to us. As I have said, others will address this issue in more detail. I merely want to note the following. We have had heard a deal from the Ambassador this morning and indeed from President Clinton last November about the US commitment to some 100,000 troops in the region. We have seen a reinvigoration and a redefinition not only of the Australia-United States alliance but also of the Japan-United States alliance. These are important reaffirmations of the two key American treaties in the region. They redefine the alliances away from the Cold War preoccupation with the Soviet Union and more to the broader strategic interests that the three of us share in the stability of the region—the balance of power, if you like.

I am one of those who believe that the triangle—the United States, Japan and Australia—is a natural triangle. We are all democracies; we are all allies of the United States; we all have interests in stability of the region. The three of us have an interest in not being pushed around in any new emergent balance of power or by an emerging regional hegemon.

We need to be careful about the 100,000 troop figure and not get hung up on it, as some will. In fact, American deployments now regularly are around 90,000 to 95,000. That in itself is not an issue. The more serious issue—and I will leave this for others to

answer later in the day and tomorrow—is that, in the event of the reunification of Korea, which could happen sooner or later, what is then the continuing justification for 37,000 American troops—most of which are land troops—on the Korean peninsula? The second question: what then is the potential impact on 18,000 American marines in Okinawa?

I think the implications are quite significant. Last year's Japanese defence white paper reminded us not to get hung up on the issue of 100,000 troops. I believe that the revolution in military affairs that is occurring—what Admiral Bill Owens calls 'the system of systems'—will enable the United States not only to be the predominant military power in the region but also, irrespective of the forward deployment, to have the capacity to deliver military forces quickly, accurately and with overwhelming force.

The United States lead in military power will not diminish in the coming 10 or 15 years; it will actually increase. That is because other powers—including China, Japan, India, South Korea and Taiwan—will significantly lag in the revolution in military affairs. It does not mean to say there will not be some improvements in those areas; we are talking about the relativities. If I am correct, that is a crucial judgment for Australia, for the ANZUS alliance and for our military relationship with the United States. With regard to American military deployments in the future, whilst I do not underrate the symbolic importance of ground based forces, because of the revolution in military powers we need to focus more on American capabilities and less on American numbers. Warships, hull for hull, will become much more offensive and capable, but they will be crewed by smaller numbers—*ipso facto* the numbers reduce.

The other issue about north-east Asia, in my view, is that the United States, because of the factors I have just mentioned about potential strategic change in north-east Asia, may come to focus rather more towards the south. This will be something new for us. It may be that South-East Asia and Australasia will become more of a strategic node between two areas of great strategic mass—north-east Asia and the Middle East and south Asia.

Finally, what are the implications for Australia? I and others have talked about greater strategic complexity and uncertainty in the region, but we do not define a clear and imminent direct military threat. Uncertainty is not about that in our strategic thinking; it is about the balance of power and balance of influence and our survival as an independent middle power strongly allied with the United States and not subordinate to some external—or externally lodged—Asian great power.

But it will be the Asian great powers that will start to increasingly shape the strategic outlook in our region. It is what the former Indonesian Ambassador Sabam Siagian called the 'end of the Vasco da Gama period'—beautiful phrase—the end of external dominance. It is not quite that, however, as long as the United States remains engaged. The question for us in this changing situation—and with the changing strategic potentialities of the countries I have mentioned—will be how to make ANZUS of greater

importance to our direct defence of Australia, should something go wrong, and in support of our strategic interests in shaping the region as a stable, cooperative and friendly region.

At the broader strategic level, as I have said, we need the United States to hold the balance of power in Asia. No other power is capable of holding and maintaining the balance. Further, I would put it to you that Asia without the United States would be a dangerous place for Australia. Multilateralism is not and will not be a replacement for robust alliances and robust unilateral defence policies—by which I mean self-defence. We also need the United States and its power to ensure that the arc of maritime nations to our north—by which I mean ASEAN—are not dominated by any rise in hegemonic power or hostile coalition of forces.

In terms of our own defence and our ability to project credible military power, ANZUS and the US connection will be crucial to Australia being one of the few countries being able to realistically exploit the revolution in military affairs and information dominance. In that sense, as Professor Ball has reminded us, being a member of the close inner club of alliances will remain crucial.

But there are two areas of caution here. The first relates to the direction in which United States domestic policies may go. Along with Peter Edwards, I am concerned about speeches from the United States that see global warming, human rights and international crime as more significant than strategic issues in the region. From my point of view, there is a rich vein in the strategic agenda for the United States to focus on with Australia and with the region.

The second point I want to make is the need for Australia to have a robust defence budget if we are not to become like New Zealand. As my friend John Baker, the Chief of the Australian Defence Force, says, 'The Australian Defence Force at present, the permanent force, is about the size of a decent crowd at a major football game.' Yet their task is to defend the 2,000-nautical mile approach to Australia, to shape our regional environment and to cooperate in the region—a non-trivial task. It behoves the government of the day to see its way forward to an increased, not a decreased, defence budget.

In summary, there are no clear military threats to Australia, but, increasingly, as a middle power in a shifting balance of power, we will need to shape our own regional strategic environment. As the balance of power changes, which undoubtedly it will, our survival as an independent middle power becomes a first order issue for us. As new powers emerge and as Australia's relative strategic mass declines, then it will become more important—not less important—that we retain our alliance with the United States in good repair and that we do what we can to keep US interests in the region engaged. That may well mean doing more with the United States and carrying more of the alliance burden, not less.

You can see then, Mr Chairman, that I am totally in disagreement with the former

Prime Minister, Mr Fraser, who says that, now communism has gone, the United States alliance is less important. The threats now to Australia, should they occur, are demonstrably more regional than global and therefore of greater imminence to us.

The final point I would make is that ANZUS has both a deterrent role, including an extended nuclear deterrent role, and it has tangible—if you like, real to measure—military and intelligence benefits that are a force multiplier for the ADF in a changing strategic balance. Although I do not think that multilateralism is the answer, let me make it clear in my final words that certainly we need to work on multilateralism, but in that process let us not go to some cloud-cuckoo-land that pretends that the defence of Australia and the alliance with the United States can be replaced.

A more cooperative and transparent regional environment is something we should all work on with regard to multilateralism. But, above all, concepts of the defence of Australia and reinvigorating the United States alliance with ANZUS I would argue, for the compelling strategic reasons I put before you, mean that ANZUS now becomes more not less important. Thank you.

CHAIRMAN—Thank you, Professor Dibb. Few factors since the end of the Cold War have been as influential on international relationships as the changing economic relativities, particularly within the Asia-Pacific region. Our next speaker on the factors influencing ANZUS is Mr Phil Scanlan, who will address the economic political interface of Australian and United States security policy within the region.

Mr Scanlan is eminently qualified to speak on economic issues. He is the current Chief Executive Officer of Bonlac Foods Ltd. He has been intimately involved in several other major corporations operating through the Asia-Pacific area, including Hallmark Cards and Coca Cola Amatil. As well as being one of Australia's most prominent executives, Mr Scanlan has sat on the Fulbright board and is the founder of the Australian American Leadership Dialogue. We are very privileged to have Mr Scanlan here this afternoon to address these issues.

Mr SCANLAN—Thank you very much, Chairman. I wish to ask your forgiveness for having to leave at the end of today because I have to get back to run a business, but I would have liked to have stayed until the end of tomorrow.

Ladies and gentlemen, to all intents and purposes, from the geopolitical and geoeconomic standpoint, the 20th century ran from 1914 to 1989—75 years dominated by two world wars. The early Russian Revolution, the atomic bomb, the end of colonial empires, the establishment of communist states, the rivalry of the two world superpowers and the division of Europe, Germany and Korea were all to some extent the consequences of the two world wars. Most of us today, if not all of us, were born and raised in the set play of the Cold War, and that era is over. A new generation of leaders are in charge who have not been trained to manage the world inherited after the end of the Cold War. This is

the challenge we now face: it goes to the heart of how we need to address the ANZUS Treaty, its optimum configuration, and its relevance to Australia's future and to our relationship with the United States.

In his September 1796 address, President George Washington warned his compatriots against permanence in relationships with other nations:

The nation which indulges toward another an habitual hatred or an habitual fondness is in some degree a slave. A passionate attachment of one nation for another produces a variety of evils. Sympathy for the favourite nation, facilitating the inclusion of an imaginary common interest in cases where no real common interest exists.

The isolationist tendency in US foreign policy was a constant refrain until the Cold War when the prospect of mutually assured destruction demanded that the United States became engaged globally. This tendency has resurfaced—as we have heard this morning—in the form of demands for the peace dividend.

Historically, Australia has positioned itself to the outside world as part of a wider security orbit—since 1942 revolving around the United States. Today, Australia's relationship with the US is characterised by some worrying attitudes: the United States takes Australia for granted and, more significantly, Australia presumes the permanence of our security ties with the United States.

Two former Prime Ministers have acknowledged in conversation that not once did they preside over a cabinet meeting which addressed the contingency of the United States unilaterally withdrawing from their security alliance with Australia. For any prime minister, I would have thought the very first strategic item on the cabinet agenda would be to address this very issue. Like Australia, every nation is reviewing historical relationships and pursuing new ones. The global paradox presents economic integration on the one hand and a mosaic—and some would argue fragmentation—of cultures, tribes, ethnicity and nation states on the other. Flowing from this very timely review of ANZUS should be scenario planning at cabinet level which addresses the degree of permanence of the alliance with the United States.

There should also be analysis of the proposition that, for more than half a century, the taxpayers of the US have subsidised other countries in the alliance, including Australia, underpinning our liberal level of expenditure on health, education and welfare. For half the 20th century the United States has demonstrated generosity towards friends and former foes. Australia would be extremely unwise to continue living in the complacent expectation that this will inevitably continue. The key issue is the degree to which the national interests of the United States are directly advanced through its ties with Australia. We need to define ourselves in a way that clarifies how, and at what level of intensity, we can rely on US perceptions of Australia and their relevance to US national interests.

In order to find an answer to this pertinent question, we need to understand the

mind-set of key opinion leaders and decision makers in the United States itself. Australians need to be very careful to not confuse access with influence among American leadership ranks. If Australia has very little systemic influence in the United States, which I believe currently to be the case, why do we not invest the intellectual capital and other resources necessary to establishing the degree of convergence between Australian and US national interests?

We Australians should not be afraid of the answer. The reality is that we need to know, and why. At present, we are in that most precarious of situations—we do not know what we do not know. That is the greatest risk, and I do not believe we are addressing it in a strategic or systemic fashion. Talk to any informed US leader and you will hear that the end of the Cold War has sharply diminished the interest most Americans believe they have in events beyond their shores, particularly given the distance between Australia and the United States.

A prudent assumption, we are told, is that the United States will remain engaged only in areas where it has allies who demonstrate a clear willingness to share the burdens of collective security. Only last week, Treasurer Peter Costello spoke about the 'trick for Australia' being to maintain healthy levels of expenditure on social security, health and education 'off a low tax base'. The question we have to ask is: what assumption about Australia's defence strategy lay behind the Treasurer's statement? It is surely not that the alliance with the United States is to be scrapped at some foreseeable time.

So where does that leave the level of presumption about the permanence of our US alliance? Intact, I would suggest. This is risky in the absence of a considered and well-constructed public debate in Australia which is transparent in exposing the inexorable link between economic and security policies. The economic and political interface, the subject of this particular session, will therefore be served by a defence industrial strategy for Australia which ensures that defence of Australia's territorial integrity is achieved within reasonable budgetary constraints by engaging allies in collective defence while maintaining independence.

How to go about this in a period of rapid political and technological change and uncertainty is not clear. For Australia, located in a region of turbulent growth and potential political instability, understanding the implications of new military technologies and their civil sector source, and creating the industrial structure to ensure their effective use, should be a high priority.

Benefits of emerging military technologies will clearly flow to those countries that are knowledgeable and involved in the evolution of these technologies, and which collaborate with a sophisticated defence industry capable of applying emerging technologies in a timely and cost-effective manner. In the mid-1960s, half of all spending for advanced electronics in the United States was for the military services. In 1995, the military accounted for only one per cent of US spending on electronics.

Harnessing the resources for Australian security depends on our ability to exploit civil technologies within Australia's defence budgetary constraints. This is an argument in favour of a serious Australian defence industrial strategy that emphasises niche markets and systems integration in partnership with American and other industry. Such a strategy serves important political as well as economic purposes.

The global paradox of economic integration and ethnic fragmentation raises the question: will economics or politics be ascendant or will we find a balance? Globalisation is the key dynamic at work. I believe Australia's destiny through the first half of the 21st century is to become an emergent prototypical Eurasian nation, whose geography is an asset rather than a liability and whose strategic engagement to the nations of the Asia-Pacific will be seen as an act of globalisation rather than regionalisation.

The celebration of our diversity as a people in the latter quarter of this century heralds a new phase in the evolution of Australia as a maturing society. We are culturally underdeveloped and, in a modern democratic context, politically mature—the other half of the peanut, as it were, to our northern neighbours. Whatever the derivative nature of original intent, the reality is that Australia today joins the United States as one of the few great social experiments—diverse multicultural societies, emboldened by strong democratic institutions, common language and equal treatment under the law—whose shared long-term challenge is sustained community cohesion.

The United States ideal of the last great hope of mankind has been accompanied by its own paranoid style in American politics, so ably chronicled in the writings of Richard Hofstadter and others—with their focus on the way large segments of the public respond to civic issues. The discovering democracy program launched by David Kemp on 8 May highlights the fact that civics and citizenship education is central to Australian education and to the continuance of a strong and vital Australian citizenship.

David Kemp gave full recognition to the cost of imposing our democracy—the dispossession of our indigenous people—and said that these costs have consequences for all Australians today. He also noted acceptance of the principle that, if people are equal regardless of background or beliefs, Australia as a democracy cannot have anything other than a non-discriminatory immigration policy—a matter of parliamentary resolution for which Australia's elected representatives are to be congratulated.

A similar drama is being played out in the United States, where President Clinton has initiated public forums across his country to address the issue of politics and race. When Americans and Australians talk about shared values, such words can be cheap. But a concentrated effort should be made to intellectually engage one another at the highest levels over the proposition that democratic diversity is more than just an 'ideal': it is achievable; it is a comparative advantage for a nation; and it will be of greater importance for global security in a world of increasing population, complexity and resource scarcity. These are the contemporary hearts and mind issues that, mutually addressed, will lead to

far deeper understanding between the United States and Australia.

On the broader economic front, it is to state the obvious that the economic and business relationship between the United States and Australia has many facets. But it is important to state the obvious given the copious comment in Australia regarding US policies which protect and subsidise exports, for example, in agricultural industries. Given my role at Bonlac Foods, which is Australia's largest and most successful Australian controlled processed food group, I am only too aware of these real and important issues. But a wider perspective highlights the role of the United States, and the importance of our relationship, in building a stronger and more liberal market for products, services, finances and, more importantly, intellectual property. It is ironic that we make these observations after a decade in which Australia finally accepted that its future lay in being globally competitive and outward looking, while in the United States forces of regionalism and isolationism have been on the increase.

We should take stock of the great contributions of the United States since World War II to our current prosperity: development and greater acceptance of liberalised trade within a multilateral based system, as distinct from protectionism or regional trading blocs; the US role as engine of growth with increased international interdependence, as reflected in the rise of foreign direct investment as a proportion of GDP; the Marshall Plan, an act of United States generosity as well as enlightened self-interest, which materially advanced the development of western Europe, fostering growth and a heightened external focus; a similar and even more fundamental role in Japan, the success of which is consistently underestimated and goes unremarked; and, as mentioned earlier, the security alliance with the United States which has allowed Australia to pursue relatively generous policies towards education, health and social security. This, in turn, has enhanced the national paradigm of 'free and fair'.

Australia was slow to realise the pivotal nature of these developments. Until the 1980s, our focus was inward looking and protectionist. In our own backyard of east Asia, the benefits of liberalised trade and deregulation of capital markets were reflected in rapid economic development. Australia woke to discover that the tyranny of distance had the potential to be replaced by the advantage of proximity; that we have a resurgent place in the world if we are good enough.

The message to Australia became clear. The opportunities for a medium sized, outward looking economy are considerable if it has a focus on high performance. Equally, there is a strong downside if it cannot perform. While actively engaged in the multilateral trade system, the Clinton Administration has placed greater emphasis on bilateral and regional initiatives such as NAFTA. Australian responses have ranged from those who want Australia to join NAFTA to others who warn of the dangers inherent in the formation of regional trading blocs.

While personally avoiding the extremes of this analysis, I believe Australia's interests are not advanced by the pursuit of a free trade agreement with the United States:

first, Australia would be unlikely to net real economic gains in the long run, with the balance of power increasingly favouring the United States in such an asymmetrical relationship; second, a more common approach among nations generally towards such agreements with the United States could distort the global trading environment; third, such an agreement at this point would send the wrong signals to east Asia—Australia is already more east Asia oriented than North America or Europe—fourth, at the highest levels in the United States, there is no serious contemplation of an imminent free trade agreement with Australia; and, finally, a free trade agreement with the United States raises issues which transcend economics. Sovereignty is the real question—like Britain and the EU, or Canada and NAFTA. I do not see the inherent logic which would drive Australia towards such a relationship with the United States.

For a global commercial strategy emanating from Australia, the building blocks are our historical ties with North America and Europe, our continued focus on North-East and South-East Asia, the Indian Rim, and Central and South America. Commercial organisations domiciled out of Australia increasingly see us as a Southern Hemispheric key to their global strategy. With such companies, our focus must be upon becoming one of few destinations for intelligent human capital and strategically focused decision making, thereby putting Australia on the map of global business systems and networks. Our aim is to have a seat at their global table and to be a recipient of the scarce resources allocated at that table. US companies, for example, with global aspirations increasingly see Australia in this light.

The most significant region for Australia in the foreseeable future is the Asia-Pacific, whose prosperity depends to a large degree on how well the United States becomes strategically engaged in Asia. As we have heard already today, the concept of strategic engagement transcends security and trade—as important as these factors undoubtedly are. Strategic engagement means allocating intellectual and other resources towards understanding the underlying cultural and societal imperatives in the Asia-Pacific—especially in Indonesia, other ASEAN members, Japan, China and India. For generations, Australian traders, missionaries, writers, diplomats and creative artists have been actively involved in the region. More recently, we have experienced the early stages of the institutionalisation of Australia's interdependence with the region—examples of which are APEC, the ASEAN Regional Forum and non-derivative commercial headquarters.

I would argue that the confluence of history and strategic imperatives render Australia to be a key factor in ensuring a sustained US commitment in the Asia-Pacific, as a result of which power vacuums will be avoided. That is why it is in the direct national interests of the United States to lock into the early stages of Australia's institutional engagement in the region, thereby bringing the political and economic dimensions into some degree of balance.

Indonesia is a case in point. The political stability of Indonesia and, therefore, of

South-East Asia generally should be a high order priority for the United States. However, Indonesian issues have no natural constituency in the US, no direct link to domestic political groupings and agendas. The degree to which Australia successfully manages its relationship with Indonesia is correctly perceived in Washington DC to bear directly on the US national interest.

In summary, Australia is emerging from its derivative past into a nation which is outward looking, proud of its democratic institutional infrastructure, keen to pursue the most attractive growth opportunities in its east Asia backyard, and mindful of the importance of securing a strong foundation on which to build this promising future.

At the end of the 20th century, Australia and the United States find themselves almost unique in sharing the common challenge of becoming model societies—great social experiments where the diversity of our people is celebrated alongside the reinforcement of traditional democratic values and the principle that there must be no second-class citizens.

The Asia-Pacific is a region rich in economic potential and, in the absence of a working security network about which we have heard so much comment today, full of crises waiting to occur. Australia cannot pursue its aspirations in the absence of a comprehensive, multi-layered US strategic engagement across the Asia-Pacific.

The isolationist tendency in the United States is resurgent and a real threat to such engagement, which brings into focus the degree to which the United States regards its relationship with Australia as integral to its national interests—going back to George Washington's warning.

Political and economic interests are served by an Australian defence industrial strategy which promotes the country's emergence from derivative status and which advances the cause of collective security.

Finally, Australia cannot afford to presume the permanence of the alliance with the United States. Federal cabinet, I suggest, should conduct a systemic review of Australia's national interests, identify how relevant these are to the alliance with the United States and communicate this openly to the Australian people.

CHAIRMAN - Thank you very much, Mr Scanlan. Our final speaker on contemporary factors influencing ANZUS, Dr Alan Stephens, from the Royal Australian Air Force's Air Powers Studies Centre, will address the topic of changing technology and interoperability.

ANZUS was first conceived at the time of the Korean War. At that time the Australian military forces could afford to buy any of the equipment that the United States military forces were using. They certainly could not afford to buy it in the numbers, but because they could buy the same equipment then the interoperability of those two forces

was not a major problem, so long as doctrine and various other factors were in place. Today it is a very different world, and that has great significance for the alliance, which, after all, is a military alliance.

Dr Stephens had a distinguished career as a wing commander in the RAAF. He served as secretary for the Defence Subcommittee in this parliament in a very notable way some years ago. He is now the official RAAF Historian, and several of his major published works have been on aspects of recent military history. Dr Stephens is also a prominent analyst on many aspects of regional security, military doctrine and the impact of emerging technologies on the nature of warfare. We welcome Dr Stephens today in that capacity.

Dr STEPHENS—Thank you, Mr Chairman. Good afternoon, ladies and gentlemen. Any subject including technology and interoperability can be assessed rationally only within context. The context here is defined by politics, economics and concepts of war fighting. So, before I talk directly to my subject, I want to make some observations about those issues. I will then discuss a number of defence technologies within that context.

As far as the politics of this subject is concerned, the context is of course the ANZUS Treaty. If the point that all treaties are the outcome of self-interest and opportunism has not been made with sufficient force so far today, then let me make it now. States sign pacts solely for what they think they can get out of them. When there is nothing to be gained, or interests have changed, inevitably treaties wither. In our region, the SEATO Pact illustrates that point.

For what is a definitive example of my proposition that opportunism is the main currency of international relations, we need look no further than the German-Soviet non-aggression pact of August 1939. That agreement, signed between implacable ideological foes, opened the door for the start of World War II eleven days later. Less than two years later, when the pact had served its profoundly cynical purpose, the Nazis invaded the USSR.

That is not to suggest that Sir Percy Spender and John Foster Dulles should be compared to Ribbentrop and Stalin or that the ANZUS Treaty necessarily should be regarded in that kind of light. Clearly the first instance would be unfair and the second would exaggerate the significance of the suspension of ANZUS ties between the United States and New Zealand. Still, the use of extremes can help to make a point, which in this case is that, unless there is something to be gained from the ANZUS agreement for each of the three signatories, then it will become even more problematical than it has been since the partial exclusion of New Zealand.

The imperative of self-interest can have a technological dimension, as I will demonstrate shortly. But, to continue establishing the context, I want to make a couple of

observations on the relationship between technology and war. Technology never has been and never will be an end in itself. Examples abound of low technology forces defeating high technology opponents. In recent times, consider the Vietcong in Indochina, the Mujaheddin in Afghanistan and the so-called warlords in Somalia. Currently Hamas terrorists in Israel too often are able to dictate the terms of institutionally directed violence, in the process leaving powerless one of the most technologically advanced, best armed and most effective defence forces in the world.

The other side of this particular coin is advanced technology used ignorantly and, consequently, unsuccessfully. Saddam Hussein provides the textbook model here. At the start of the 1991 Gulf War, the Iraqi armed forces were on paper modern and immensely powerful. They were also battle hardened from their recently concluded frightful eight-year war with Iran. However, tied to outdated concepts of war fighting based on attrition and numbers on the ground instead of on knowledge, precision and rapid tempo, Iraq's advanced technology forces foundered on the rock of their intellectual ineptitude.

That leads me to the first of two points I consider central to changing technologies and to the two junior partners in the ANZUS Treaty, Australia and New Zealand. That point is quality people. I would like \$10 for every time I have heard senior defence officers or bureaucrats, or those few politicians with a genuine interest in defence, say words to the effect that our people are our greatest asset. I would be rich. But experience suggests there is more lip-service than substance to those slogans. The fact is that the road to three- and four-star jobs in the Australian Defence Force is signposted not through a career in personnel management but rather through a background in operations, force structuring, strategic analysis and so on. More often than not, the incumbent of a one- or two-star personnel appointment knows that he or she has reached the end of the road.

If Australia and New Zealand are to derive the maximum benefit from emerging technologies, then that attitude has got to change. Quality people are not a slogan; they are the essence of the successful, innovative exploitation of defence hardware, be it basic or sophisticated. Take the state of technology in the New Zealand Defence Force. By Australian and American standards, the relatively dated nature of much of the New Zealand Defence Force's front-line equipment seems to be cause for concern. Major navy units are largely obsolescent, as are the Skyhawk fighters and surveillance and reconnaissance units generally. There are no submarines, while command and control capabilities are indifferent. Nevertheless, by regional standards, the NZDF remains an excellent defence force, primarily because it is staffed by committed, well-educated, well-trained men and women.

The preservation of that kind of quality personnel base is fundamental to managing military technology. What I am talking about here is the two-way relationship between ideas and technology. Perhaps somewhere amongst the high quality people representative of today's NZDF there is a potential General Heinz Guderian, who will prevail in combat more through the force of his innovative intellect than through any item of hardware.

Guderian, you may recall, was the German general who devised blitzkrieg, the brilliant combination of fast moving armour, infantry and strike aircraft which constituted one of the few genuine war fighting breakthroughs of the 20th century.

Apart from the fact that it was stunningly successful, the striking feature of blitzkrieg was its reliance on old technologies. Tanks, aircraft and foot soldiers had all been around for a long time in 1939; it was the idea behind their coordinated use that was the crucial development. In other words, one valued commodity Australia and New Zealand can continue to bring to the ANZUS alliance is high quality people expert in the latest theories, strategies and operational concepts and practised in the latest war fighting techniques and tactics, if not necessarily always equipped with the latest equipment.

A cautionary observation is warranted here. Under the dual pressures of efficiency drives and financial constraints, much of the ADF's training and education system is currently under review. No reasonable commentator could object to that review, as the stated objective of achieving more for less is in everyone's best interests. But it would be a mistake of major proportions if that process were to place at risk a training and education philosophy which has served Australian defence admirably for over half a century, and which ultimately has been the foundation of the ADF's standing as the premier defence force in the region and one of the best in the world. During a period of extended peace, the single best security investment a government can make is in the education and training of the members of its armed forces. That observation must be extended to those people—most of whom are civilians—who work in the Department of Defence's science and technology organisation. One of the first indications that a country is losing its way in defence is the withdrawal of adequate support for indigenous R&D. As the British defence establishment demonstrated brilliantly during the war with Argentina over the Falkland Islands in 1982, the ability to modify and adapt in-service technologies at short notice is one of the hallmarks of a quality organisation. I mention that because a robust, indigenous R&D infrastructure represents a significant technological capability which can make a valuable contribution to the ANZUS pact.

In passing, I should also mention that an indigenous R&D capability will become even more important as, in response to the microchip revolution, the ADF increasingly turns to commercial, off-the-shelf purchases of much of its equipment. With the exception of major combat platforms, defence technology in crucial areas such as communications, navigation systems and information networks is now responsive to commercial developments rather than the reverse. Mr Scanlan touched on this point when he mentioned that not all that long ago some 60 per cent of those kinds of technologies were driven by defence demands. My figure is 80 per cent, but the critical thing is that now only one per cent is generated by those demands. That is a striking turnaround and again demonstrates the importance of retaining an in-house R&D capability which can modify, adapt and make military add-ons to generic commercial items.

Let me summarise this first section of my presentation by saying once again that

the first and indispensable element of controlling the advanced technology environment, instead of following at a distance, is quality people. The ideal for any defence force is of course to marry the two, to marry ideas and technology; that is, to have both the people and the systems.

The performance of American forces in the 1991 Gulf War provides a compelling model of that combination and also serves as a contrast to the example of blitzkrieg which, as I noted before, was derived from the application of new ideas to old technologies. The opposite approach provided the key to the coalition's victory in the Gulf. It was the 36-day air campaign that preceded the four-day land campaign which assured success for the coalition in the Gulf War. In contrast to General Guderian's approach, the architect of victory in the Gulf, United States Air Force Colonel John Warden, used new technologies to exploit old ideas.

Let me elaborate. For centuries, military strategists have understood the importance of striking directly at an enemy centre of gravity; against that point which, if severely threatened, weakened, neutralised or destroyed, is most likely to cause him to capitulate. It is axiomatic that the sooner an opponent's centre of gravity is undermined the sooner he is likely to submit; thus the notion has been and remains central to strategic thinking.

Generally speaking, until the very recent past, technological limitations made it extremely difficult to strike directly at the centre of gravity, which tended to be out of range, too hard to find, too hard to hit, or all of the above. By exploiting new technologies—such as advance surveillance and reconnaissance sensors; discriminating targeting techniques; low observable platforms (that is, stealth), precision weapons; and logistics and command and control systems which permitted a compelling tempo of operations to be sustained—Colonel Warden was able to translate the old theory of attacking the enemy's C of G into practice.

In addition to demonstrating the war fighting potential inherent in the right combination of technology and ideas, the Gulf War also established that there are now two kinds of defence forces in the world, and those are the United States and everyone else. The technological capabilities possessed by the United States, when applied by well trained people in suitable circumstances, are simply overwhelming. No one nation, or indeed combination of nations, could expect successfully to oppose or withstand those capabilities within the setting of conventional limited war.

In view then of the United States' massive military technological advantage, and given my earlier argument that states only subscribe to treaties out of self-interest, the central question Australia and New Zealand face is this—what can we do within the ambit of the ANZUS Treaty that is worth while? What can we offer the world's one remaining superpower that will make ANZUS a useful component of American foreign and defence policy?

The obvious answer is the political one—that the United States, while militarily supreme, still needs international political support when it wishes to apply force. Recent actions in Indochina, Africa and the Middle East illustrate this point. I have also already identified two competencies that are always welcome regardless of circumstances or of who is involved—namely, quality people and a robust, indigenous R&D infrastructure.

Notwithstanding the technological gap which will continue to divide the United States and the rest of the world generally, and the United States and its ANZUS partners specifically, there are other capabilities Australia and New Zealand can offer which will be valued. This leads to the second main point I want to make this afternoon.

The key here is the regional setting. Geography has conferred an incontestable comparative advantage on the Anzac countries in relation to the United States and South-East Asia. For all its military dominance, the United States is not and cannot be part of the South-East Asian region. By contrast, the accident of proximity has enabled the Australian armed services in particular to develop constructive relationships with a number of our Asian neighbours.

The RAAF, for example, because of its personnel and technical excellence, has been the linchpin of the Five Power Defence Arrangements Integrated Air Defence System for 25 years, a status which provides both entree and influence. There are clear advantages for the broad international alliance of states, of which Australia is a respected member and of which ANZUS is one expression, in that situation continuing.

I am reluctant to become too involved in the detail of defence hardware, as too often such discussions divert attention from important issues. Technology is a means, not an end. Further, it depends as much on organisation and process as it does on equipment. However, at this stage an excursion into hardware is unavoidable—specifically, what systems, what capabilities, do the Australian Defence Force, and probably the New Zealand Defence Force, need to retain their regional standing and therefore their status as desirable alliance partners?

In my opinion, the critical technological developments in the Asia-Pacific region and its South-East Asian subset are occurring in three more or less distinct areas. The first major area is aerospace systems, by which I mean air and space based surveillance and reconnaissance systems and fourth generation strike fighters armed with long range precision missiles; the second is submarines; and the third is C4I—that is, command, control, communications, computers and intelligence systems. I want to talk about changing technologies and ANZUS's relevance to the region in relation to those particular systems. Let me start by dismissing two canards.

First, for several years now, some commentators have been asserting that an arms race is taking place in our region, with the acquisition by various countries of aircraft like the F16, F18, MiG-29 and SU30 being cited as evidence. Those commentators either are

unaware of or choose to ignore the fact that the numbers of advanced aircraft being acquired by individual states are small and represent an expression of healthy economies and an upgrading of obsolescent equipment as much as they do any military intent. Further, and importantly, acquiring hardware is one thing; making it work effectively can be entirely another.

That leads to the second canard—namely, that the acquisition of those kinds of platforms signals the end of the technological pre-eminence Australia has held for almost 50 years and on which our high standing partly rests. I would maintain that there has been no such erosion of relative capabilities—at least not to the extent often assumed—and that there will not be for some years if we continue to plan and invest wisely.

The example of the F111 is instructive here. When the Menzies government ordered the F111 in 1963, it was one of the world's most technologically advanced weapons systems; indeed, it was still on the drawing board. There were times during the 1970s when the effort required to make the F111 and its associated infrastructure work almost brought the RAAF to its knees. But the challenge was met and overcome. A quarter of a century later the F111 remains in service with the ADF and, because of a continuing program of modifications, is still the premier strike aircraft in South-East Asia and one of the best in the Asia-Pacific. At the same time as the RAAF was introducing the F111 into service, the Shah of Iran was trying to create a technologically advanced defence force overnight. But, as the Shah discovered, you cannot buy the kind of expertise that made possible the ADF's achievement with the F111, even in the age of commercial support programs.

In other words, in one of the areas that I have suggested are crucial to our standing as both a respected regional power and a contributor to ANZUS—that is, in possessing a profound technological competence, including the capacity to innovate—we have a great deal to offer and to exploit in furthering our interests. From that it follows that we should continue to pursue excellence in that domain.

Precisely the same logic applies to the Collins class submarines presently under construction in South Australia. There are parallels with the F111. The Collins boat is at the forefront of technology and unquestionably will set the benchmark in the region with the capabilities it will bring to the ADF. Again replicating the F111 experience, the Australian Submarine Corporation and the Royal Australian Navy are currently experiencing a number of developmental difficulties, something which seems to hold more interest for many commentators than the certainty that those difficulties will be overcome and that the ADF and Australian security will be both stronger and better for the experience.

Let me continue in an optimistic vein. I would argue that Australia is also getting it right with surveillance and reconnaissance, where the Jindalee over-the-horizon operational radar network and the RAAF's planned airborne early warning and control

platforms hold the key. In the regional context JORN will constitute a unique capability, generating information which will be translated into knowledge. Unlike America's existing space surveillance system, JORN will provide near continuous coverage of the area it looks at. Further, no other country in our part of the world has anything like JORN. Thus the system will not only constitute a major security asset but also enhance the ADF's standing within both the region and the ANZUS alliance.

Whether or not the ADF will want to extend its strategic surveillance capability by acquiring one or more satellites some time in the future remains to be seen. There would be some merit, it seems to me, in complementing JORN with a number of low Earth orbit satellites fitted with sensors such as synthetic aperture radar, electro-optical sensors and moving target indicators, which again would enhance our operational and technological status. Here, of course, cost is the issue, with estimates for a single satellite varying widely, depending on the source and alleged capabilities, from \$20 million to \$100 million and as much as \$1 billion for a small constellation of perhaps four to eight satellites. Everything is relative: those are sums Australia could afford; the question is one of priorities.

Airborne early warning and control has been the ADF's single major deficiency for about 20 years now. It is an enormous force multiplier, not just for the war in the air but also for the war on the surface—land and sea. Once the ADF's AEW&C systems enter service, and the senior commanders from all three services have had the chance to experience the platform's full range of capabilities, they will be in constant demand. In combination, JORN and AEW&C are going to constitute the heart of a system which, when fully operational, will give the ADF a pre-eminent ability to collect information and to know what is going on in our area of immediate interest.

The final technology I want to mention is the glue that holds all other military capabilities together and makes them work effectively—namely, C4I: command, control, communications, computers and intelligence. I have already said a little bit about the 'I' component with my remarks on JORN and AEW&C. In sum, C4I is one of those unglamorous areas of defence which can easily be overlooked, but without which fleets, squadrons and divisions will not work to maximum effect. C4I is an extraordinarily difficult business, but one which is worth the effort. An effective C4I system confers exponential benefits on its owners. Conversely, the absence of such a system or perhaps worse still the presence of an inept one ensures inefficiency at best and disaster at worst.

Suffice to say that senior ADF commanders regard C4I as a capability in its own right—an attitude which is reflected in the attention properly being given to joint structures, doctrine, organisation, command post exercises, and communications and computer networks. In the unlikely event, in my opinion, of a significant regional defence contingency which requires a coalition response, it may be the case that the ADF will be able to provide a highly effective, in-place C4I system whose operators are thoroughly familiar with the prevailing conditions.

I want to make some comment on the New Zealand Defence Force in relation to the issues I have just discussed; but, before doing so, I want to address interoperability. In general there is reason for confidence with the Australia-United States connection but cause for concern with New Zealand. The whole point of interoperability is for allied forces to be capable, first, of talking to each other, second, of operating together and, third, of drawing on each other's logistics infrastructure, by which I mean technical maintenance and resupply. Since about the time of the Korean War, Australia's defence forces have increasingly been shaped to operate with those of our major ally: the United States. While the process is never easy and requires constant attention and practice, it would be fair to say that the Australian and American armed services probably work together as well as any other two armed forces.

The Anzac connection should ensure that, if anything, interoperability would be even better between the ADF and the NZDF. There is a very large degree of equipment commonality, including Anzac frigates, Super Sea Sprite helicopters in the future, Orions, Hercules, armoured personnel carriers, utility helicopters, the Hamel gun and the Steyr family of weapons. Shared facilities extend to Air New Zealand overhauling the RAAF's Hercules and F404 engines and Hawker Pacific Australia fitting new wings and stabilisers to the RNZAF's Orions. Industry association is even more integrated with the Anzac ships.

While most of the systems I have mentioned vary in model and modification state, they still represent a common defence base and outlook. But, despite that commonality, New Zealand's exclusion from trilateral ANZUS activities undermines interoperability and has the potential to place excessive demands on the ADF, which must now try to ensure that our trans-Tasman allies receive adequate exposure to complex military exercises while at the same time give the same consideration to our South-East Asian allies and indeed to our own training needs.

In an era of constrained resources and in the pragmatic world of alliance politics, there are limits to what can be spent on whom. Ultimately, the Australian government has to look at its responsibilities to the Australian people and objective assessments have to be made about specific yields on specific investments. Thus, historical ties notwithstanding, the dilemma, which has been thrust onto the New Zealand Defence Force by a series of democratically elected governments, is worrying.

Those worries extend beyond interoperability to basic military capabilities. While, as I have mentioned, many of the NZDF's major force structure elements are similar to those of the ADF, they tend to lag far behind in terms of updates and on-board systems. As long as that remains the case, there will be question marks over the cost of the ADF's commitment to the ANZUS alliance. The acrimonious debate over the Anzac ships epitomises the problem.

But, given the three sets of capabilities that I have suggested are the most relevant

to our region and to the status of the ANZUS Treaty, I would like to suggest that the most telling moment will come when Wellington eventually has to decide whether or not to replace the RNZAF's obsolescent Skyhawk strike fighters. In my opinion, if the NZDF is to remain a credible military force capable of staying abreast of technological change, as opposed to gradually declining into a force which can participate only in maritime surveillance and peace operations, then it must acquire a modern aerospace capability. Plainly that will cost money and demand political resolution. It will be the litmus test for New Zealand defence.

Let me conclude by revisiting my main points. The critical technological developments in the Asia-Pacific region and its South-East Asian subset are occurring in three distinct areas: in aerospace systems, by which I mean air and space surveillance and reconnaissance systems and fourth generation strike fighters armed with long-range precision missiles; in submarines; and in command, control, communications, computers and intelligence systems. By any standards, and in particular by those of medium powers with diminishing defence budgets, the ADF is doing well to manage to acquire, support and operate those kinds of systems. Indeed, contrary to the doomsayers and contingent upon adequate funding, the ADF has the potential to remain the pre-eminent technological force in our region and, in the process, assume the status of a respected and valued alliance partner.

The outlook for New Zealand is more problematic and, unless difficult force structuring challenges are successfully confronted, its relevance will continue to be questioned and its ability to operate with its allies and accommodate leading edge technologies invariably degraded.

Finally, underpinning every leading edge technological capability in the ADF is the quality of its people. Above all else, if the foundations of that quality are not preserved, no amount of advanced technology or equipment based interoperability will make the ADF into the kind of force Australia, the region and the ANZUS alliance need. Thank you.

CHAIRMAN - Thank you very much, Dr Stephens. We now move into question time on this session.

Prof. GARNAUT—Paul Dibb made a very important statement about a purported Chinese change of mind about whether it was desirable for the US to be engaged in the security of the Western Pacific. Over the past 18 months, the change of mind was said to have taken place. Could Paul tell us something about the basis of that assessment?

Prof. DIBB—As I think you know, Ross, I chair talks with the Chinese and have done for the last five years. Whilst I should not go into the details of that, there is no doubt in my mind that, before the Taiwan Straits crisis of last year, there were always—as you would well recall from your time as ambassador—statements of principle from the Chinese side that, in principle, they were against all foreign military presences; however,

they understood, if not accepted, the reason for the American presence in Japan with regard to the restraints and reassurance that that puts on the Japanese.

It is my clear impression that, since the events of Taiwan in 1996, that is absolutely not the case and, in a series of wide-ranging discussions with the Chinese, they made it very clear that they want to see the American presence out of Korea and out of Japan. I do accept that there is something of a declaratory policy about that and it is perhaps a natural reaction to what they saw as American policy provocation over Taiwan.

More recently, some would argue—although I would not—the Chinese are being a little more careful in their public pronouncements. But the strong message I get is that, whilst China is becoming more powerful and more confident of its own position in the region, including its position of influence within the ASEAN Regional Forum and with regard to ASEAN, but, if you pushed it into a corner, it would recognise that pulling the United States military presence pre-emptively out of Japan would hardly be a stabilising issue. But, for the mid to longer term, China is working on a policy that works to have the United States removed so there is less competition from what is in fact the only real competition to China.

Ms ELKHOURY—This very broad question is directed at Paul Dibb, Phil Scanlan and Alan Stephens. Given the importance that Alan Stephens and others ascribe to indigenous R&D capability and the importance of a sophisticated defence industry, as Phil Scanlan mentioned, what do the three speakers see as the implication of the possible privatisation of Australian Defence Industries, given that other countries in our region—like Indonesia—are spending more on their indigenous defence industries?

Prof. DIBB—That is a complex question—says he, ducking for cover! There will have to be some rationalisation of the Australian defence industry. It is a rather overcrowded marketplace with more and more players coming in, and that is good for competition, as my former colleagues in the defence acquisition area would tell me.

You will notice that in both America and, to a lesser extent, in Europe there will be an inevitability about the rationalisation of defence. We now have Boeing-McDonnell Douglas-Rockwell, which is a \$40 billion US company, and we have Lockheed Martin, which is a \$30 billion company. And we know that both in France and the UK things will have to happen that will rationalise that.

I guess the difference is that those countries have relatively large indigenous defence industries—like in the UK, for instance, with British Aerospace. ADI will be sold; I think the government's preference is for ADI to be sold as a going concern. I do not know how the tenders are going to go on that. The tenders will have to be arms length, transparent and so on. There are a number of foreign contenders, and my own view is that you might see a combination of locally owned industry and foreign interests—by which I mean European and/or American—involved. I do not think that is a particular issue, as

long as they are close friends and allies of Australia. Clearly, if some foreign country wanted to buy into the Submarine Corporation—other than the current Swedish owners—there would be an issue.

There is an issue of national security and there may well be an issue, as the complex competition for ADI evolves, of the government deciding whether or not to have a so-called golden share, that is, a national security share. I do not know.

I think the answer to your question is that we have a highly healthy, competitive defence industry. There will be some shake-out in rationalisation, some mergers and takeovers and so on, but I see no particular lobby or, indeed, sense in going down the path of a protected defence industry.

Mr SCANLAN—I think the issue of the golden share and national security is important. I think the issue of R&D innovation and national competency is important. I think anybody who really believes that, without a strong home team in this respect, the locus of key decision making will be maintained here in Australia has got to be kidding themselves medium to longer term.

There is a very important strategic issue as to how we build a vehicle which can maintain the essence of what Dr Stephens was talking about, the human capital, and the innovative aspect—plugging into global networks that are larger and more significant than ours in a global sense—but still maintain a role which can have the effect of a continued relevance to Australia further down the track, which is one of the points that Paul Dibb referred to in his presentation. I think those issues are very important and I do not think it is an either/or situation. Some intelligent public policy decision making should be addressed.

Dr STEPHENS—I would like to comment on this. I think you have raised an important point. I appreciate the imperatives of economic rationalism but I also appreciate that defence is not a business.

Historically, Australia has performed exceptionally well in the area of defence R&D, from World War II, when we started from an almost non-existent base and built up an excellent aircraft industry within the space of a couple of years. It is more difficult these days; however, the analogy holds.

I will refer to a couple of examples that I am most comfortable with. The Mirage fighter aircraft was, by and large, a fairly ordinary platform. Because we had in Australia an excellent R&D capability, we were able to modify that aeroplane to carry weapons from four different countries—that is, France, Britain, the United States and Australia. It is very unusual for that to happen to one particular platform. That made a relatively ordinary platform into a reasonably effective weapons system.

We have done the same with the F111. Ours are the only F111s modified to carry the harpoon, a uniquely Australian modification. I am sure no-one made any money out of that. I am sure it cost us a lot. However, the end capability remains unique in our part of the world and it is a very potent end result. So, in my opinion, the issue is fundamental to Australia remaining a key player in this kind of business and, ultimately, in our alliances.

Mr SCANLAN—And it does have an economic multiplier effect across other aspects of Australian manufacturing and so on which is extremely beneficial and should not be underestimated.

NANCY SHELLEY—Once again, I refer to many references from the speakers about the broadening of the terms or what the relationship in ANZUS will be. I wanted to raise some issues which indicate perhaps some potential broadening.

I would like to direct my question to Paul Dibb and I want to raise it on three particular issues. Firstly, you spoke of the greatest difficulty being whether China will be a peaceful influence or not. Do you place any weight, interest or value in the fact that Australia only this day has entered into dialogue with China in relation to the human rights in both countries?

Secondly, how do you see the strand within the US history of their isolationism? I noticed that Phil Scanlan referred to its resurgence. Thirdly, you spoke of an Australian-Japanese alliance. In so far as that is a military one, how do you weight the considerable public opinion in relation to maintaining the Japanese constitution and the issues of non-militarism within that constitution?

Prof. DIBB—Thank you for those questions. It is quite difficult to reply to them briefly, but let me try. I think any issue, whether it is human rights or other negotiations, that enables us to have increased bilateral, official and indeed semi-official, and academic contact with China is all to the benefit. It will be a difficult area with China. They have some acute sensitivities, but then, as you well know, we do not have entirely clean hands ourselves.

People have already observed that, on human rights issues, because we are in and part of the region, we and the United States will naturally have differences of emphasis and stress from time to time, while still holding very strongly to human rights matters. For instance, I am encouraged by China's involvement in the ASEAN Regional Forum. From my personal experience, and Professor Ball's experience, four or five years ago the Chinese were not keen to discuss issues in multilateral forums. They still prefer bilateral approaches, for instance, on the South China Sea, but they do not walk out when at the ARF and other regional fora the South China Sea is discussed. I have certainly personally chaired semi-official talks with the Chinese that have included that latter subject.

Four or five years ago, and again as Professor Ball would tell you, both in second

track—that is, open discussions—and in semi-official talks the Chinese were not terribly at the forefront of military confidence building measures. In discussions I held in 1994 with what was then all 18 members of the ASEAN Regional Forum, it would be fair to say that, other than ideas of military visits, as soon as one got into difficult areas like military exercises the Chinese would say, ‘On a voluntary basis.’ You would talk about defence white papers and they would immediately say, ‘On a voluntary basis.’ In other words, they did not want to do it.

That is not the case now. Including in the most recent meetings of the ministerial ASEAN Regional Forum last month in Kuala Lumpur, there are indications that on military confidence building measures they are moving forward significantly. They are still not a transparent military society but, then again, most of our neighbours are not either, with the exception of New Zealand.

So the traditional issue of secrecy towards defence issues, the fact that most countries and not just China do not even publish their military orders of battle, is a problem, but that is something we will work on. In any case, the world will become more transparent as overhead systems—that is, satellite systems—become more commercially available. So, despite some of my inbred caution about China, there are some positive signs. I could go on at length about the negative signs, but I will not in the interest of time.

There are others here who know more about the United States than I. Yes, I think there is an issue in American history about isolationism. We all recall the front page of the *New Yorker* with Wall Street and the Empire State Building in the foreground very large, then in the middle ground Chicago, then in the far distance California and beyond that a little dot that was called Japan and China. I see no return to Wilsonian traditions of isolationism, of sitting with arms folded when war is serious in the world. The United States has global interests, including in the Asia-Pacific region, both economic—which are increasing—and security, which are certainly not diminishing.

We have to be ready, as Phil Scanlan says, to work harder on the Americans. I am not as pessimistic as he is about the salience and importance amongst the cognoscenti in Washington, not least in the intelligence and military areas of the alliance. But I do take his point that we need to work harder in Washington DC on the new relevance, if you like, of ANZUS and our regional security.

On Australia and Japan, I never use the word ‘alliance’. I talked about a trilateral relationship with the United States, Japan and Australia. Already we have strategic level discussions with the Japanese—in fact, I opened those in March 1990 with the then vice-chief of the Defence Force. Since then, as Mr Behm over here will tell you, we now have political-to-military talks and military-to-military talks.

None of us sees a relationship developing that in any way rocks the Japanese

constitution. It will be an iterative, cautious development but one which, in my view, recognises an increasing contiguity of interests between the United States, Japan and Australia with regard to the fundamental issue that I expanded—at length—on the need for a stable balance of power and the need to shape the regional strategic environment in our favour.

Short adjournment

SESSION 4: THE NATURE OF THE ALLIANCE TODAY

**Strategic Practice
The View from the Trenches
Intelligence—Joint Facilities**

**Vice Admiral R.A.K. Walls
Brigadier Peter Leahy
Mr Allan Behm**

CHAIRMAN - I would like to start the concluding session of the seminar today. In this session our speakers will examine current aspects of the ANZUS alliance. Its practical outcomes have seen extensive military cooperation, exercises and intelligence sharing between Australia and the United States and to a different degree between Australia and New Zealand. This final session will have three speakers who have been very closely involved in the military interaction at three different levels.

My first speaker is Vice Admiral Robert Walls who will speak on the administration necessary to sustain the relationship as viewed from a strategic level. Admiral Walls has viewed the relationship from many levels: at tactical and operational level when he was commanding officer of a number of warships and RAN bases. He was the Maritime Commander of Australia; he was Assistant Chief of Defence Force (Development); and his final position before retirement was Vice Chief of the Defence Force. In that position, he was responsible for the negotiations both with the Pentagon and with CINCPAC for the practical implementations of the ANZUS agreement at a strategic level.

Vice Adm. WALLS—Good afternoon, ladies and gentlemen: let me say how delighted I am—if I can presume to speak on behalf of the other two speakers that follow as part of our team—to see so many of you still here. We have found the presentations and discussions today thoroughly stimulating and interesting, and I hope that we can match the worth of it for you. I must say that I was a little disappointed to hear Senator MacGibbon say that I was going to talk to you about administration. I have to confess it is not my long suit, so we will move on to the practicalities fairly rapidly if I can.

I have some personal interpretations of strategic practices, patterns and activities that I have observed and that I think are in place or in train. In part, that covers habitual patterns as well as those that are growing and developing. I have observed them over the past seven years—in a personal involvement sense—with both the United States and New Zealand. But you will recognise that, through that period, New Zealand has been in effect for the practical things that I will address outside the activities associated directly with ANZUS.

I would like to make a declaratory statement, a statement of purpose and intent to begin with: I strongly assert that the ANZUS Treaty is of inestimable value to Australia in the interests of our national security. I have been quite pleased to listen today to such eminent persons as Mr Ian Sinclair talk about the worth of ANZUS and the adaptability of it, following on from the American Ambassador's words on adaptability and flexibility,

and the words of Mr Kim Beazley in talking of the essentiality of the treaty. Indeed, even my friend on my right here, Professor Dibb, made remarks to the same strength and extent.

I will talk to you about the following features in terms of practicality and strategic practices: firstly, changes I have observed in seven years; secondly, growth or, if you prefer, development; and, thirdly, investments that are being made and investments that in my view need to be made. Needless to say, all of us who are associated with dealing with money of any form know that with investment go costs, and I will address those as well.

Talking then about changes: the first item that I would put to you is the growing complexity of the practices associated with the ANZUS Treaty. If you recognise that with knowledge there comes an awareness of complexity, then you will also recognise that that knowledge brings with it an awareness of uncertainty. One of the features of that complexity has certainly been a growing span and an appreciation that we have more things to do.

Oddly, another feature of change that I have observed in this period has been an increasing trust between the partners involved. Here I refer to both the United States and New Zealand as well as Australia. It is evident in the fields of intelligence, and we might hear some more from Allan Behm on that later. If we do not, then you might like to question Des Ball to speculate on some of the aspects that he is aware of or would be willing to speak to.

The second one would be logistics, which has been covered in one of the earlier speaker's remarks. The third one, which had some good coverage today, is the euphemism C4ISR—command, control, communications, computers, intelligence, surveillance and reconnaissance—more of that later. The fourth one would be networking or personal relationships awareness.

I guess what I am saying is that an appreciation developed of the mutual worth which flows from the effective contribution that each participant makes in their own particular way. You might say that is a bit broad brush and possibly even marketing in terms of talking up the results that we get in practical terms from the ANZUS Treaty. But if you were to look back at AUSMIN 96 in July in Sydney and the redefinition that flowed from those talks, and then examine the practical effects of that 12 or 13 months later, you will see that they are clearly on the board.

By now, you will appreciate that I also have a perception that this treaty, if it is of such worth to us, must have some other benefits as well. I see those in the place and the status that Australia has in the Asia-Pacific region. In the strategic sense, I think this flows from the access and sometimes from the influence that we have in dealing with people in the Pentagon in a national security sense and in the Pacific Command—CINCPAC and his subordinate commanders. I think that influence, that status and that ability to influence the

shape and the course of events are more evident now because of the changes which have occurred in our strategic environment. I will not speak any further to those. I will just refer you back to the remarks that you have heard from Paul Dibb and others.

In talking about individual countries, let me first pick up the US. In practical terms there have been some quite fascinating and almost dramatic changes in doctrine that the US armed forces are now using. If you go back to 1989 with Gorbachev and the Berlin Wall, you will appreciate the shifts in strategic doctrine which the US is now applying. We have seen the two major regional conflict debates—the two and a half and the one and a half—the shifts in strategic concepts, the shifts in capability developments and their priorities.

There has been an interminable range of studies. If you ever get depressed about the number of studies and reviews we do in Australia, go to Washington. They have run the roller and the ruler over intelligence and the roles of military forces most recently. We are still living with the impact and the potential outcomes of the quadrennial defence review. Think also of the powerful and shaping influence that we have seen from both secretaries of defense and secretaries of state as well as the Chairman of the Joint Chiefs of Staff—it is an illustrious list of names that runs through from about 1990 through to now. I would assert that some of the changes, the influences, have been again bordering on the dramatic.

For example, since the Gulf War we have seen the growth of the interest and importance of knowledge based warfare, information warfare and the concepts and capabilities associated with that. If you looked in Australia, I have alluded to the series of reviews that we have had since 1990 and 1991. In some ways we have probably seen more in the way of reform than perhaps there has been in the United States. In part I think that is a reflection of the generally bipartisan approach which our political parties have to matters of national security and national defence. But I think it has also been very much a reflection of the commitment which they and those in the defence organisation and in supporting areas such as the Public Service, the Prime Minister and Cabinet and DFAT—those sorts of organisations—have to improvement and to growth and development.

We have seen, for example, in the defence organisation micro-economic reform of unparalleled dimensions. There have been visionary approaches taken by chiefs of the Defence Force and secretaries of the department—some would assert almost revolutionary in some cases, although I must say I think the revolutionaries tend to have gone off to the side or retired to a degree. Nonetheless, there have been some interesting mixes of people associated with what has occurred in Australia.

With New Zealand, I do not see it in quite the same way, I have to say. There have been a series of reviews and reforms but in the main they have been forced by economic circumstance, by the budgetary parameters. I have not seen those flow through from strategic appreciations or the need to reassess what the capability requirements are. I

may be a little unkind when I make those remarks. But, having said that, there has been a theme of consistency in the quality and the nature of the people involved in the national security processes in New Zealand. I think New Zealand has been very well served by people such as Gerald Hensley in that respect.

But let me move from those elements of change to some other thoughts, elements and dimensions that apply to strategic practices. There is the now dimension. If you were to focus on the US, you would see that, in the Pentagon in Washington, that has a particular policy element to it, bearing in mind there is an Atlantic-focused Eurocentric approach from Washington. Nonetheless, there is an element of difference with what happens from the Pacific side of life out of Pacific Command. There is a much more—dare I say it—practical approach which comes out of CINCPAC's organisation in Hawaii. The Pentagon does not tend to have the same now dimension in terms of what is happening with the ANZUS Treaty as it does have with other events that shape its daily life.

I was intrigued to hear the US Ambassador this morning describe the treaty in terms of 'readiness and interoperability, exercising and training'. I must say that they are certainly now aspects of the relationship. If you were to look at the short time frame that runs out from today as being now, then, indeed, the exercises, the ship visits and the personnel exchanges that she spoke of are certainly those sorts of things. I was intrigued though that the word 'intelligence' was only used once by the Ambassador in the course of her introductory remarks. I see that now dimension in practical terms of strategic practices as being of vital significance, a continuing real-time, second-by-second element of all the activities that go on. I should give a disclaimer at this point and say that I am recently retired from the Defence Force. I do not intend to get into too much in the way of discussion about intelligence, except to acknowledge its vital importance.

Turning to further dimensions: if you look at article 2 of the ANZUS Treaty, you will see that the strategic practices, the matters that impact on the Defence Force essentially flow from the words in article 2, the maintain and develop aspects. I have already spoken of exchanges and planning activities that go on and I have mentioned networking. One thing that I have not touched on and which I think is of significance is contingency activity. Some examples of that would be the SIMEX series which is conducted with the Pacific Command and the Australian defence organisation. Another one, which I believe Peter Leahy is going to talk to, is the Tandem Thrust series of exercises.

But I would add to yet another dimension: you might have read over the weekend a matter now in the public domain of the missile defence trials which the Australian Defence Science and Technology Organisation are going to conduct in association with US elements from north Western Australia. Some speculated that it might be related to ballistic missile defence; others spoke of theatre missile defence arrangements. But, any way you look at it, it is clear these are additional activities and aspects which are of direct

importance to the relationship.

In New Zealand's case, I think the list is almost endless because we have closer defence relationships which cover virtually every activity which the Australian Defence Force conducts with the New Zealand Defence Force. In terms of mechanisms associated with those sorts of things, I believe they are well-established and that they produce results. As the Ambassador said this morning, they are adaptable and flexible. Hence, these processes of change—of growth and investment that I spoke of—have become very productive.

In relation to policy aspects of those mechanisms, I have mentioned AUSMIN 96 and in the presentations people have discussed things like milreps talks, officials consultations. In practical terms there are those exercises I spoke of. There are also the ship visits that I think we have probably dealt with at sufficient length for the time being.

To give you some thoughts on SIMEX: it has been running for some years; it is one of those sorts of activities which simmers and then bubbles; it is a planned cyclical process; it deals with strategic contingencies that the interests of both nations might be affected by; it is essentially done at two-star level. It was most recently done earlier this year for five days. Australia sent 10 officers across. They were—how shall I put it?—matched by 30 from Pacific Command. It is an event which took a lot of preparation and involved seminar discussion type activities. I would not describe it as wargaming but it is certainly progressive in terms of the concepts, ideas and analysis that people deal with—not the same sort of thing that goes on at global wargaming in the US on the east coast on an annual basis, which is another matter in the public domain. SIMEX is an activity which subsequently leads to significant development in strategic growth as far as the planning arrangements for both countries are concerned. Perhaps I should leave it at that.

I found exercise Tandem Thrust this year a fascinating illustration of how well things have progressed from a military officer's perspective. I first saw a Tandem Thrust exercise in California in 1992 when I was a battle force commander there working opposite a fellow called Joe Preuher, who now happens to be CINCPAC, the Commander in Chief Pacific Command. In those days Australia was on the side. This year, as you saw, it was the biggest exercise that has been conducted in Australia with the Australian Defence Force and the US since World War II.

The initial part of the exercise for about 12 days involved a command post exercise, which again was at the strategic level, before later—the cyclone not permitting—they attempted to get on to the operational and tactical level activities. You can appreciate not only the precedence in terms of sequence of the activity but also the pre-eminence of it in terms of shaping the course of things that flowed afterwards.

The final point I want address in the 20 minutes that I have relates to developments leading to investment. The most significant thing that is of importance to us

these days—it was touched on by Phil Scanlan, Stewart Woodman and Alan Stephens in their presentations—is the business of data sharing and of information exchange. These are major growth areas in terms of strategic practice and, perhaps not surprisingly, it is not just concerned with intelligence but is very much concerned with industry. The small ‘p’ politics and practice, of course, have their impact with the competitive nature of US defence industry versus Australian defence industry.

If you accept the need for any forward thinking country to have a sensible and serious R&D program, then you would appreciate that any data exchange and information sharing that we can have in industry will enable us to focus on things which are affordable and which are particular. An example of those would be NULKA, that missile decoy system which Australia has developed and which is now being installed in the US and Canada. It is a case of something affordable, sensible, uses our talents and skills, and makes a significant contribution to the alliance which other partners find worth while.

In some ways I think that is driven by a change in the US perceptions of where it fits on a global basis. We have seen NATO have its impact on US thinking in terms of intelligence and defence industry, but I think it is accurate. True to say that ANZUS has a special cachet. That has been reflected by the remarks of other speakers. If you look at the way things might be going, I would say that—and this is not a new horse that I am roping here; I am just back in the saddle again on an old theme—we have to invest not only in the current practices that we pursue that I have outlined but also in the future.

Alan Stephens gave us a nice list with his aerospace, submarines and C4ISR. I would expand the C4ISR theme because I see that as being an edge that we need to sustain in Australia but into the area that Paul Dibb was talking about of knowledge based warfare, information warfare, the ability to discriminate and to control. A great friend of mine, the President of Science Applications International, Admiral Bill Owens, talks about dominant battlefield awareness. I see that as being one of the keys that we would need for the future.

I would make the assertion to you that the only place we are going to get access to that technology, to that knowledge and to that capability from our partners in the alliance is the United States. Nothing comes for free; nothing comes without its price. The bad news I have for you is that there is a significant cost involved in staying with that technology. But I would also assert to you that that is an investment that we cannot afford not to make.

If you think of the thoughts that I have given you on strategic practices, change, growth, development, investment and costs, then not only have I reinforced to you the essentiality of this adaptive and flexible alliance—in fact, this increasingly relevant alliance; would that it really were ANZUS—but also I have given you the indicators that it is in the national interests of all the parties to pursue it. If there is one constant that exists in international affairs, it is national interest. I see there being an excellent growth

path and investment path for us to pursue with this ANZUS alliance. I will stop there, Mr Chair.

CHAIRMAN - As well as the ongoing strategic relationships that Admiral Walls has been talking about with the US, Australia's defence forces operate and exercise with their US counterparts at an operational and tactical level on a frequent basis. This sustains the interoperability needed for war fighting in conjunction with US forces.

Brigadier Peter Leahy, the commander of Australia's 3rd Brigade, has been invited to speak in this section. Brigadier Leahy has had very recent experience with US forces, having operated as a brigade commander on the Tandem Thrust exercise held at Shoalwater Bay earlier this year. There was a major exercise by Australian standards which saw senior Australian officers integrated into the combined command structure at a strategic level for the first time since World War II. If you will overlook the flight of fancy in the title that any brigadier would know what a trench was, let alone deign to climb into one and thereby look out, I invite Brigadier Leahy to speak to us on his experiences.

Brig. LEAHY—Thank you, Mr Chairman, and I would invite you to join me in a trench next time you are in Townsville. Ladies and gentlemen, I have been asked to speak at the tactical level and, to use the words of Admiral Walls, I am going to talk to you about now—what we have just done, what we are doing now and what we plan to do in the future.

Overhead transparencies were then shown—

Brig. LEAHY—As a soldier I have been taught to give my bottom line up front. My bottom line assessment of ANZUS from ground level is that it looks very healthy. I have taken as my theme for this presentation the view shown on this slide: 'The value of ANZUS is not what it promises but what it allows.' ANZUS is of great value to soldiers, sailors and airmen. Its real value from the trenches is that there are few rules and regulations. Like minded soldiers with common hopes, aspirations and a common professional approach to serving their nations are allowed to make it work.

Today I am going to concentrate on army issues because that is where I feel most comfortable, and with Alan Stephens sitting next to me, I do not want to get into air force issues. But it is my view that naval and air force issues are equally if not better supported by ANZUS than land issues. I say this with a soldier's view of the extensive interoperability and integration of naval and air equipment, intelligence and doctrine. Before dealing with the now or the tactical level, I would like to cover ANZUS from rather more lofty heights. In soldier's language, I intend to start at the strategic level, work my way through the operational level and then finish in the trenches.

The strategic level of war is the province of the parliament and the CDF. It is at

this level that things have been remarkably durable and constant. It is, as we learned this morning, the level where very little is promised or—to use this morning's term—guaranteed. Nevertheless, both countries have worked to maintain the treaty with a clear view of the advantages that accrue to each country.

This lack of compulsory action in answers does not seem to be a drawback in the relationship between Australia and the United States. The relationship is based on a strong foundation of common values and shared security interests. Those values and interests have nurtured and sustained the relationship for a very long time. The Ambassador this morning neglected to mention about the battle of Hamel where US soldiers fought under command of Australian soldiers.

For the future at the strategic level, I see very clearly that both the United States and Australia are intent on maintaining the relationship. When addressing the Australian parliament recently, the President of the United States said:

The alliance is not just for this time, it is for all time.

Likewise, the Australian government is seeking to invigorate the alliance to maintain its relevance, to reinforce its importance in making a substantial contribution to regional peace and security and to the maintenance and consolidation of Australia's capability for self-reliant defence.

At the operational level of war, battles and campaigns are initiated and orchestrated to achieve strategic aims. In military doctrine we maintain that it is essential that there is a direct link between that strategic level of war through the operational level to the now or to the tactical level. Battles must be fought and campaigns must be waged to achieve strategic ends.

In my view, it is essential that the political and diplomatic aspects of the ANZUS alliance both support and are directly supported by the operations of soldiers like me in the field. In practical terms, this support begins at the operational level. It is at this level that a soldier begins to get the first real view of ANZUS in action. He begins to see that the strength of ANZUS is in what is allowed not in what is promised. It is at the operational level of war where we see practical cooperation in the areas of intelligence, technology, logistics and substantive efforts to achieve equipment interoperability and standardisation. None of these actions are formally mandated by the ANZUS Treaty.

We see much of this expressed in the American Britain Canadian and Australian armies' standardisation program, or ABCA, and this shows very strongly the linkages that exist at ground level. While not strictly a product of ANZUS, the ABCA came about and is, in my view, largely sustained as a result of the spirit of close cooperation that is exemplified in ANZUS. The strategy of ABCA is:

To ensure that Armies achieve agreed levels of standardisation necessary for two or more ABCA

Armies to cooperate effectively together within a coalition.

You can see the four minimum requirements of ABCA on the next slide: first, compatible doctrine, tactics, techniques, training, procedures, electronic systems and platforms; second, interoperable communications and information systems—which includes the functions of manoeuvre, fire control, air defence, intelligence and combat service support—as well as critical weapons systems and critical training simulation systems; third, interchangeable combat supplies, combat support and combat service, as well as formations and units, and by that I mean brigades and battalions; and, finally, common critical procedures to include tactics, techniques and critical engineering quality standards.

Two important aspects of the ABCA that further consolidate the linkages between Australia and the United States are the fact that we share operational level doctrine. The ABCA acknowledges the primacy of US doctrine at the operational level or at core level, and the scope of the program, where we address army issues and those joint issues which impinge on the land battle, primarily at the tactical level.

We have found that the ABCA program is responsive and is focused on achieving standardisation across the functional areas of the battlefield. It provides our armies with three real opportunities: first, to practise coalition operations through exercises; second, to exchange information, materiel, ideas and thoughts amongst our staffs; and, third, the production of agreements and advisory publications to achieve agreed standardisation tasks in a business type arrangement. I will refer to one of these later as the ANZUS planning manual.

To get to now though, what is the view from the trenches? Firstly, I cannot say that I have ever consciously been thinking about ANZUS in the trenches. By the time we get to ground level we do not speak in terms of alliances, rather we speak in terms of how we are going to make things work. To us, ANZUS is a constant; it is something that we accept and work within because it makes sense.

Thus we speak about standardisation and interoperability; we speak about personnel and equipment exchanges; and we speak about solving problems that will make us work more effectively together. To me what is important is that the ANZUS Treaty does not limit us to certain actions. There is plenty of work for like-minded people to make something work.

ANZUS works at the tactical level because it feels right. At the strategic level, Parliament and Congress agree on a view of ANZUS that seeks to maintain and enhance an important defence and security relationship because of common values, hopes, aspirations and interests. Senior officers and defence officials at the operational level agree to enhance interoperability and exchange intelligence and planning information because of strategic direction and a common purpose. So too do officers and soldiers at the tactical level feel comfortable with ANZUS because of that common purpose.

It is a constant, as is our cooperation with our American allies over many years in conflict and in peace, and it is as constant as our many friends in the United States military. ANZUS is about people in and out of uniform; it is about common hopes and aspirations and a desire for a better world. As an example of this I would like to read you a quote from the Deputy Commander of the Combined Army Force, or CARFOR, for Exercise Tandem Thrust. This was Colonel Jim Sykes, the Commander of the 3rd US Brigade:

People are what really make joint operations work.

I think fundamentally operations between militaries and success in military operations are a function of how well you get along culturally, how you see the values of your society playing out in a world landscape.

Interoperability is a lot of talk about electrons, radio sets, weapons and equipment but at its core in its most fundamental aspect, to ensure success, it's people bonding together in a common cause.

From what I've seen of our two nations during Tandem Thrust, I'd say we're doing OK.

What then of Tandem Thrust? As most of you would be aware, Tandem Thrust was a US led and Australian supported exercise. It was a very large joint and combined exercise which involved in the order of 27,000 Australian and American service men and women. The aim of the exercise was to further develop procedures for combined crisis response operations outlined in the ANZUS planning manual. It tested a combined task force based on the US 7th Fleet in a short warning power projection scenario.

The Commander of the Australian Deployable Joint Force Headquarters (Land) or DJFHQ(L), Major General Tim Ford, was deputy commander of the combined task force, and he worked under Admiral Bob Natter who is Commander of the US 7th Fleet. A large element of General Ford's headquarters was fully integrated into the command ship USS *Blueridge*. Third Australian Brigade, with a battalion—Task Force 2-35—of the 25th Infantry Division under operational control, constituted CARFOR. I was appointed as Commander of CARFOR and had the Commander of the 3rd US Brigade, Colonel Jim Sykes, as my deputy commander. He brought with him a supplement to my headquarters in both personnel and equipment. In all, there were close to 900 US army personnel attached to CARFOR for the duration of the exercise.

As you have heard, in essence, Tandem Thrust was two exercises. The first was a combined force planning exercise in which 3rd Brigade participated as a player based in Townsville. It was during this exercise that General Ford's headquarters deployed to the USS *Blueridge* and was involved fully in crisis action planning. During this phase, DJFHQ quickly and effectively assimilated into the combined task force and provided a valuable planning supplement to the headquarters. Certainly, 3rd Brigade's participation and the presence of US forces in Townsville meant that we were able to learn many valuable lessons and prepare ourselves for the coming field deployment phase.

My view is that this part was an essential preparatory period which was vital to the success of the exercise. It allowed deployed US combat forces to conduct in theatre training, become familiar with command and control arrangements and to acclimatise. The period also allowed the two national headquarter elements to conduct familiarisation and cross levelling. Specifically, this meant that the communications officers were able to conduct interoperability checks and our two headquarter staffs were able to bed down standard operating procedures.

Many of the combat and combat support functions within the brigade were integrated at company, platoon and section level. By that I mean that, if I went to an Australian battalion, I would find an American company, American support with mortars, machine guns and so on; and the same with an American battalion which had an Australian company there.

The field deployment phase commenced phase two. CARFOR deployed to Shoalwater Bay by road, sea and air where we were allocated an area of operations adjacent to a US Marine Corps, which was called MARFOR, commanded by Major General Rollings. Both he and I were responsible to Admiral Natter for land operations in our AOs. This phase of the operation was marked by high intensity ops using a wide range of joint and combined assets.

We learned many lessons. What I would like to do now is just consider them in the framework of the four minimum requirements of ABCA: compatible, interoperable, interchangeable and common critical procedures. But, before I do that, I would like to re-emphasise the point made by Colonel Sykes: people made Tandem Thrust work. People will make ANZUS work in the future.

Over many years I have seen that the soldiers of our two nations get on. You only needed to visit the 1st Battalion boozier before the exercise to see that it was going to work. During the exercise, you only needed to visit my headquarters and be briefed by any of the operators there. Nationality made no difference. Cultural commonality and shared hopes and aspirations extend all the way from Congress and the Parliament to the soldier in the weapon pit and the foxhole.

The first area I will address is compatibility. Our doctrine, tactics and techniques are very largely compatible. There are differences but they are not insurmountable. The ABCA framework for US core doctrine is a solid framework and throughout Tandem Thrust we experienced very few difficulties. This included the detailed tasking and direction of Task Force 2-35 by headquarters CARFOR.

Our training methods are similar. One of the major successes of the exercise was the training value gained by the Americans. During his reconnaissance for the exercise the Commanding Officer of Task Force 2-35 was able to state very clearly his training requirements, which we were able to translate very directly into requirements for training

areas and resources as well as safety and environmental considerations.

Our electronics systems are generally compatible although there were some uneven areas which related mostly to the nature and scale of distribution of equipment. Examples here are satellite tactical communications and night vision equipment. We are not so well equipped and, in some cases, were not able to operate to the scale and intensity of US forces. In other instances, US forces were forced to degrade their own capabilities so we could continue to operate fully with them. Examples here are radios and satellite communications.

The second area is interoperability. As suggested earlier, things are not so rosy with communications equipment. Raven, which is our tactical communications radio, and SINGCARS, which is US tactical radio, can work together but only when the frequency hopping capability of SINGCARS is reduced. Our command and control systems are not entirely compatible and as the US pursues digitisation and satellite communications, we are facing some danger of being left behind. I have observed that we are not the only ally with this problem. I have also observed that the different US services are developing different equipment and using different procedures and are having their own interoperability problems.

With regard to information systems, I think we are in some trouble. To my mind, the USS *Blueridge* was a signals generating machine. At one stage I returned to my headquarters to find 177 Secret Immediate signals waiting for me—I did not read them. We urgently need a system that will filter information and provide the commander with timely, accurate and relevant information. Information overload is very much alive and well. Much can be done and will be done with improved staff procedures and staff discipline, but we also need to employ technological solutions. This is not a problem that exists entirely with ANZUS; it is a problem of armies in the modern world.

During Tandem Thrust I was pleasantly surprised to have access to a myriad of intelligence systems and resources well beyond what I had experienced before. These systems are very largely compatible and there have been vast improvements in this arena. Recently, my brigade capabilities have been extended to include access to the joint intelligence support environment or JISE, which is a marvellous thing to arrive in the brigade, with a dedicated terminal.

The third area is interchangeability. To me the experience of Tandem Thrust and other exercises and exchanges suggest that we can interchange formations and units. It is easier to interchange companies and platoons, but we can do it at battalion and brigade level. Obviously, command and control are a problem and the United States, just like Australia, will seek clearly defined operational parameters and control over certain national functions and responsibilities.

This should be expected and procedures developed to overcome any of these difficulties. I was pleasantly surprised and privileged during Tandem Thrust to be placed

in command of a US army task force. In this respect, the teaming arrangements developed by Colonel Sykes, the American brigade commander who was my deputy commander, and me were important to mission accomplishment. These arrangements were something we developed ourselves without external guidance or direction.

There were no critical problems with combat support and combat service support, although again national differences remain.

The fourth area is commonality. Australian notice to move and battle procedures are not as responsive as the 7th Fleet and embarked US Marine Corps elements. This had an impact early in the planning stage as we were forced to truncate our own notice to move and accelerate our theatrical preparations. If we are to operate as a part of a crisis action force, we will need to ensure that our responsiveness is in parallel with the US forces with which we are tasked to deploy.

The planning procedures followed during the crisis action planning period and our own battle procedures are dissimilar. I would hasten to add here that they are also dissimilar to the US Army's procedures. Colonel Sykes and I spent quite some time during the initial phase trying to track what the 7th Fleet were up to. We had the latest doctrine from the Joint Chiefs of Staff and thought we were going to be on top of it. We were not. So, apart from the problems we might have, this is another interservice difficulty with the United States. The 7th Fleet and embarked marine forces were following a planning process of embark, plan, rehearse and execute; the US Army and our planning process is plan, rehearse, embark, execute. The two did not match and more work is required.

Another area is rules of engagement. These are a critical area and national differences remain in relation to the ratification of protocols and the interpretation of their impact. There have been some initial proposals for Asia-Pacific rules of engagement but they require further development. To my mind, rules of engagement will be critical to coalition development and maintenance.

Where to from now? As I hope I have suggested to you, ANZUS is very healthy at the tactical level where like-minded people are given the latitude to make a fundamentally sound concept work. It is at this level where that which is allowed makes ANZUS work.

The fundamentals at the operational level are also very solid but, to my mind, more work needs to be done. Firstly, we need to maintain the ABCA. It provides a very solid basis of interoperability and it should be maintained as a minimum requirement. I think we need to continue training and exercising together. As Admiral Walls has suggested, comprehensive participation in wargames and CPX activities is necessary—and this is the level that commanders can be trained for comparatively little cost. We need to continue to exchange technology. This is especially the case with the technology associated with communications and command and control. I agree with Mr Ian Sinclair here in his recent report on exercise Tandem Thrust that we are going to have to do more work to keep up

with the United States especially in this area.

If we are to, as a self-reliant nation, take advantage of the so-called revolution in military affairs, we must actively engage with the United States which is leading the world in this area. Full participation is also important if we are to maintain a capability to be interoperable. If the United States Marine Corps is to be used as the 911 force of response for the US, especially in the Pacific, then we need to ensure that we remain interoperable with them. As I have suggested, we have very good interoperability with the United States Army—in particular 25th Infantry Division—and this has been developed over some time. Our interoperability is not so good with the US Marine Corps and more development work is required.

In conclusion, ANZUS is very relevant to those of us in the trenches. In seeking to continue the relevance of ANZUS, I think we need to recognise that there are challenges for the future, and I would like to highlight three. Firstly, any increased commitment to regional engagement in the Asia-Pacific may draw us away from the maintenance of ANZUS. The other side of that is that, secondly, the maintenance of ANZUS may be seen by some in the region as siding with the United States or as Australia not making a full commitment to the Asia-Pacific—and this is a delicate balancing act. Thirdly, within the Australian Army the focus of ANZUS is on the US Army. It may be necessary to adjust this focus towards the US Marine Corps.

From the trenches, ANZUS is a very comfortable and rewarding relationship. It works because those in the trenches are given a solid basis and are then left to make it work. There are no unnecessary rules and regulations. ANZUS provides us access to technology, equipment and training. It also allows like-minded professional soldiers to work together. In this way, the Australian Army becomes more capable both as a self-reliant force and as a force that can participate as a capable and equal force in coalition arrangements during any contribution to regional or world peace and security. Mr Chairman, thank you.

CHAIRMAN - Thank you, Brigadier Leahy. As mentioned on numerous occasions this morning, intelligence and what is intimately or inextricably involved with that, the joint defence facilities within Australia, do form a significant part of the ANZUS arrangement. And to speak on the topic of intelligence and joint facilities, a task which requires not only knowledge but a degree of restraint, which I am sure this audience will understand, but which it is important that we do have some public reference to, I would like to welcome Mr Allan Behm, who is the head of International Policy within the Department of Defence. This position gives him current responsibility for defence policy relating to the joint facilities and allows him to offer another perspective of the relationship between Australia and the United States.

Mr BEHM—Thank you, Mr Chairman. My task this afternoon is to explain the role of the joint defence facilities in ANZUS. Those of you with some experience of Australia's official approach to answering questions on the facilities will probably expect a

pretty short presentation—and you won't be disappointed!

As Mr Sinclair noted this morning, ANZUS is at the core of the Australian-US bilateral relationship, and at the heart of ANZUS is the intelligence relationship, of which the joint facilities form part. But this is certainly not going to be an occasion for open-heart surgery. Clearly I am very constrained in talking about the operational aspects or technical details of the facilities—and I won't—but in the context of this seminar's aims and objectives there is quite a lot to make of the role of the joint defence facilities in both Australia's and the United States' security.

I should also note at the outset that the term 'intelligence' in the title of this presentation does not do justice to the full roles of the joint defence facilities, as I hope will become clear. The obverse of that coin is that our full intelligence relationship with the United States is broader and deeper than the joint facilities—but that aspect is outside the scope of this presentation.

Let me simply note that intelligence is a critical element in the following three areas: understanding global and regional strategic dynamics; influencing the direction of regional strategic change; and, in an ultimate sense, enabling the effective use of armed force in circumstances of armed conflict should that occur.

Let me turn to the joint facilities. We in defence think of three joint facilities: Nurrungar, which is just near Woomera in South Australia; Pine Gap, which is just near Alice Springs; and, until recent years, North West Cape, which is way up in the north of Western Australia. There are other localities in Australia where the United States has personnel co-located with Australians, but these fall under agreements with departments and agencies other than the Department of Defence. So we do not regard those as joint facilities, in our language.

Overhead slides were then shown—

Let me deal with the North West Cape station first. You have a bit of imagery here—this is oblique imagery—and that is a picture of the station as it was a couple of years ago. It has not changed much since. This naval communications station was built following an agreement between Australia and the United States signed in 1963. Its function was to provide communications to submerged RAN and USN submarines. It was initially operated as a US naval facility, but in 1974 it became a joint defence facility with an integrated staff of Royal Australian Navy and US Navy personnel.

In October 1992 North West Cape transferred to RAN control, and it will continue as a joint defence facility until 1999 when it will become a fully Australian facility, the Naval Communications Station Harold E. Holt. Since 1992 the commanding officer has been a RAN officer. USN personnel are no longer stationed at the site, but the USN continues to have access as required. The site is a radio relay station, passing communications between Australian and US command centres and their respective ships

and submarines in the Indian Ocean and the Western Pacific. VLF, HF and satellite communications can be relayed.

Turning to the joint defence facility at Nurrungar, this facility is a satellite ground station for the US Defense Support Program, DSP. If I burst into acronyms, please understand it is one of the diseases you catch in the Department of Defence. I will try, though, to use the full descriptor each time. It provides early warning of ballistic missile launches, including warning of shorter range theatre ballistic missiles of the kind used in the Gulf War, and information on the detonation of nuclear weapons.

If I can turn to Pine Gap, Pine Gap is also a satellite ground station where we cooperate with the United States in intelligence collection, including monitoring arms control and disarmament agreements and military developments in many areas of interest to Australia.

I would like now to turn to some of the myths that surround the joint defence facilities before I outline what we see as the benefits of those facilities. There are four myths that I would like to deal with. There are more than four, but four is a good typical number here. First, the joint defence facilities are not US bases on Australian soil. There are no combat personnel, US or Australian, at the joint defence facilities and no equipment is stored or maintained there in direct support of combat operations. It is a really important point to understand on both sides of the Pacific that they are actually joint facilities, that they are not simply US facilities.

Second, the joint defence facilities involve no derogation of Australian sovereignty. They are genuinely jointly managed and run. Australia participates fully in the operations and management of Pine Gap and Nurrungar and has access to the product from the sites. Activities there have the full knowledge and concurrence of the Australian government and we keep the operations under constant review. Australians are very well represented at all levels of management and of operation. A senior Department of Defence official is the deputy chief of facility at Pine Gap, and an RAAF wing commander is the deputy commander at Nurrungar.

Third, the facilities are not solely for US benefit. I will argue shortly that our cooperation serves both US and Australian aims and in many respects wider international interests. The facilities serve both the bilateral and mutual security interests of the United States and Australia and the independent security interests of each. Each is able to task the facilities for its own purposes.

Fourth, in terms of political oversight, the same rules apply to Americans as to Australians involving access to the facilities and to classified information about them. In both cases, only those parliamentarians and congress persons whose official responsibilities require that they be briefed on the detailed functions or that they visit the operational areas are so briefed or given access. In Australia this customarily includes the

Leader of the Opposition and relevant opposition spokespersons.

I would like to turn to the benefits of cooperation. In the broadest context, our cooperation with the United States in the joint defence facilities is an integral part of the wider alliance relationship. It is certainly no accident that the very first references in the treaties covering Pine Gap and Nurrungar are to the ANZUS Treaty itself. The virtual uniqueness in global terms of our security relationship with the United States can easily be overlooked. It has in the past been described, perhaps a bit dismissively—and I bow my head in Des's direction—as 'a suitable piece of real estate', as if our sole contribution to the US interests was our geographic location. The truth was and remains that geographical utility supports much more fundamentally shared long-term strategic and national security interests.

I leave it to others to expand on the assets we bring to the wider relationship, including the quality of our people, the importance of our scientific and technical contributions, our many shared activities in global and regional security, our stable political and economic system and our willingness to take up our share of the burden, and the associated risks, in supporting peace and stability.

Historically, the primary Australian interest that has been served by our cooperation at the joint defence facilities is the interest we share with all countries in the avoidance of global conflict—that is, in maintaining a stable system of deterrence. Avoidance of nuclear war was, and remains, a fundamental Australian security interest. In such circumstances, successive Australian governments have agreed that it is only right that we play our part and carry our share of the burden in efforts to reduce such risks.

Pine Gap and Nurrungar, established more than 25 years ago, continue to make quite critical contributions to global peace and stability, including, as I noted earlier, monitoring and verifying the arms control agreements which of themselves transformed the global and regional strategic landscapes in recent years. What remains critical is Pine Gap's contribution to the monitoring of compliance with arms control agreements, including the agreements that seek to make deterrence more stable and provide for both lower levels of nuclear armament and much higher trigger levels of possible nuclear engagement.

Nurrungar also continues to make an essential contribution to the stability of nuclear deterrence by providing early warning of ballistic missile launches. It further contributes to global and regional security by monitoring the proliferation of ballistic missiles, especially at the theatre and tactical levels. The technological advances which have underpinned the evolution of the Defense Support Program, the DSP, to what is now called the Space Based Infra-red System, or SBIRS, provide the opportunity for greater functionality into the future. These alone would be sufficient reasons to continue to support the facilities. Without Nurrungar and Pine Gap, and the confidence and assuredness they deliver on missile and weapons development and treaty compliance, there in fact would be no SALT agreements, no INF, no START.

Further, in the post Cold War environment the joint defence facilities are proving to be critically important in view of the increase in regional instability around the world and the very real threat of future weapons proliferation. During the Gulf War, for example, Nurrungar played a large part in detecting the launch of scud missiles and in providing warning to coalition forces and to civilian populations in Israel and Saudi Arabia. In this regard, Nurrungar and its successor, the relay ground station, would become of even more benefit to Australia were a ballistic missile threat ever to emerge in our own neighbourhood.

The operations at Pine Gap also provide us with intelligence which is valuable to our own security, including military developments in many areas of interest to Australia. The capability of North West Cape to communicate with ships and submarines in the Indian Ocean and the Western Pacific remains important to both the Royal Australian Navy and the United States Navy. The joint defence facilities give Australia access to US satellite information which we could not afford in our wildest dreams, as Paul Dibb said this morning, to duplicate and which complements our own indigenous intelligence and surveillance capabilities.

In that respect, as with other practical cooperation carried out under the ANZUS auspices, our participation with the United States at the joint defence facilities enhances and complements our own abilities for self-reliant defence. As last year's AUSMIN declaration noted, the joint defence facilities also constitute a crucial element in the United States' permanent presence in the Asia-Pacific. A perception that Australia shares with most regional countries is that a full and active US participation in the region is a crucial element of regional stability.

I would like to make some comments now about the future. As I noted at the beginning of this presentation, following a phased transition begun earlier this decade, by 1999 North West Cape will be fully Australian as a naval communications station. Its important functions as a radio relay station for RAN and USN ships and submarines will continue.

Nurrungar is planned to close in about the year 2000 and will be replaced by a much smaller relay ground station at Pine Gap. The relay station will support the US space based missile early warning program, as Nurrungar has done, and will operate on similar principles of access and jointness. It will be much smaller than Nurrungar because advances in technology—which I touched upon briefly a moment ago—have meant that the processing of data from US ballistic missile early warning satellites can now be consolidated in the United States.

In some respects then the millennium will see the end of an era of joint cooperation with the close of Nurrungar and the withdrawal of the USAF from Woomera. However, we in Defence see this more as a transition to a new chapter of cooperation. Both countries are committed to continued cooperation and ballistic missile detection and

early warning, and we are exploring what new opportunities might arise in the future.

It is rather early days to speculate on what this might entail. Although the form of our cooperation will change—in that we will not see a large joint facility replacing Nurrungar—the principles of joint participation and partnership will remain in our joint endeavours.

Earlier this year, the Minister for Defence, Mr McLachlan, announced that staff numbers at Pine Gap, both Australian and US, would be increased over the next few years. We are currently finalising with the US the formal exchange of letters which will extend the Pine Gap treaty for a further 10 years. This initiative was announced, you will recall, at last year's AUSMIN talks.

I note the developments at each facility to indicate that, as with ANZUS itself, our arrangements at the joint facilities are keeping up with the times and are evolving in response to both changing strategic circumstances and technological developments. Our cooperation there, and the willingness of both countries to keep the arrangements relevant, are a practical demonstration of the maturity and depth of the bilateral relationship and its ability to change and develop for mutual benefit.

I would like to conclude by reiterating just three main points. First, continued cooperation of the joint defence facilities is in Australia's direct interests, is in the direct interests of the United States and affords tangible security benefits to the wider international community. Second, developments of the joint defence facilities are responsive to changes in our strategic circumstances. Finally, the missions they fulfil remain relevant to the strategic and security needs of both Australia and the United States. Thank you all very much.

CHAIRMAN - We are open to questions on this session.

Mr DALRYMPLE—There has been a great deal of very interesting and important information and analysis given to us this afternoon. It leaves, though, one question in my mind—I am not sure whether it is a fair question; I suspect it is not a fair question to be addressed to any of the serving officers on either the Australian or the United States side—but if any of them would like to respond that would be very welcome. Maybe Paul Dibb, or somebody else up there, would hazard a response to the question, which is a rather central one.

The question is whether the current size and capability of the Australian Defence Force and its prospective changes—perhaps relative shrinkage of the force in regional terms—are regarded by our US ally as putting us on the margin of relevant capability. The question is whether we are risking losing some of these valuable things in ANZUS that we have been hearing about by not keeping up a big enough force.

We heard that John Baker said that the whole of the Australian Defence Force could be equated to about the size of a good-sized football ground crowd. To a layman, that sounds pretty small, but I am willing to be persuaded that all these new technologies make up for a good deal of that. But even at the very unsophisticated layman's level of comprehension of these matters, I think there must be a level of size and capability below which we cease to be really regarded as worth taking too much notice of. I would like to hear some opinion about how all that sits in the ANZUS context.

CHAIRMAN - I think that is a very good question. Who is going to tackle it—the Vice-CDF?

Vice Adm. WALLS—Ex.

CHAIRMAN - Certainly ex. I would not dream of asking a serving officer.

Vice Adm. WALLS—Ambassador, thank you for your question. There are a couple of different ways I could perhaps respond to it. You ask initially about the current size and capabilities and the prospective changes to them. The inference you might draw from that would be a level, a particular shape, a particular capacity. My question would be: to do what? Measured against what? What are the criteria that you are seeking to impose? But that is a somewhat mechanistic response and probably does not address the true nature of your question. So let me come at it from another direction.

The point has been well made by a number of the speakers during today that there is a very effective dialogue which goes on at all levels in the relationship between the United States and Australia but particularly at what I describe as the strategic levels, which deals with the capabilities of forces. That dialogue is of such a nature that differences, arguments, even acrimonious exchanges between individuals—personality clashes and differences of view—get aired, in my experience, and they get aired in a way which I think is healthy and productive.

I suspect that Paul Dibb is going to speak shortly. I would not be surprised if he spoke about some of the exchanges that resulted from his review in 1985-86 and the subsequent defence white paper in 1987. But certainly my experience in the last couple of years has been that that is a very robust set of discussions that go on. The discussions are conducted in an atmosphere—I mentioned the word earlier—of trust in that some highly sensitive information and data is exchanged in those discussions. Clearly, there are some documentary exchanges which occur. But the point that I am trying to make to you is that there is a pretty healthy examination of what is going on, what the capability development plans might be and what the implications of changes are.

I recently participated in the defence efficiency review but, of course, have not been associated with the implementation of that under the defence reform program. But the defence efficiency review—relating to some other work that has been going on within

the defence organisation for a couple of years or so and it certainly has already been alluded to: strategic review and new white paper type approaches—in part was deliberately aimed at changing the balance of capabilities that we have in our Defence Force. It is not a case of off with the old and on with the new, but it is a matter of recognising that technology, strategic circumstances, potential demands need different forms of response from those that we have used traditionally or historically.

Another example that I would use to illustrate that would be the restructuring of the army program which is under way. This is perhaps a bit pat and crass—and if I am getting too far out I am sure Geoff Carter will correct me—but Napoleon and his divisions were designed to march across the plains of northern Europe to enfilade Moscow. The restructuring of the army and the defence reform program that we have under way now is a quite deliberate attempt to adjust the balance of capabilities, to adjust to new technologies and to adjust to the costs and investments associated with defence.

I do not think there is any concern in the United States that the current size and capability and the prospective changes that are under way are of cause for concern or a threat to the ANZUS relationship. I must admit, though, that I am giving you a personal view on a perspective. I have most recently been in Washington three times in the last three or four months. I think I participate in fairly healthy relationships and dialogues with people, including the current Vice-Chairman of the Joint Chiefs of Staff.

Whilst I would not want to attribute or have anybody assume any attribution to him and the processes of the coup d'état that are going on, I would do as much as I could to put aside the concern that you have and attempt to persuade you that, whilst certainly everything is not well and the taxpayers are going to have to invest more money in defence in my view, there is no concern about the current nature or the prospective changes of the Australian Defence Force. Perhaps I should stop there and give somebody else a chance to respond.

Dr STEPHENS—I endorse the comments. It is a very important point and it is a difficult balance. It is the case that, ultimately, size does matter. Equally, if I could refer to the New Zealand Defence Force, it is a very small defence force. I think we should be concerned about the direction it is going. However, notwithstanding its size, if it were equipped along the lines that I was suggesting earlier this afternoon, I would suggest it would have the capacity to be a highly regarded defence force—notwithstanding its small size.

It is an issue for the ADF at the moment in the era of commercial support programs. The balance between size and capabilities is delicate. Personally, I would not like to see the ADF shrink too much more within the context of retaining a degree of self-reliance.

If I can refer back to the NZDF, it could have respect regionally as a highly

capable unit if it were equipped to the standards I would like to see. Equally, it would be difficult to see the NZDF operating outside the ANZUS ambit.

Ambassador TEARE—I would like to associate myself with both of the answers we have just heard. I would simply add that, in this day and age in whatever era we are now in, everyone is downsizing and outsourcing. That includes China, Russia and us. I am not aware of any judgment on the part of the United States that it has reached a critical level in Australia, but I do not think either that would be a proper judgment for us to make. It is a sovereign Australian decision. So balancing all of that together, I would not worry at this stage.

Dr TOW—I have one question for Brigadier Leahy and one question for Mr Behm. It looks like, while everything is very well at the strategic level in terms of ANZUS, you are going to be vested with the task of glorified schizophrenia in terms of adjusting to the marines, US army and God knows who else over the next five to 10 years—particularly if you are also concerned with the identity balance between the Asians on one hand and the Americans on the other. Obviously, this is going to take some time to work out, but do you have any preliminary insights into how you are going to overcome this challenge?

In terms of Mr Behm, you have indicated that the installations serve the independent security of each ally. The review of the installations conducted as part of an overall ANZUS review in the early 1980s, spearheaded by former minister Hayden and others, did not come from nothing. There was an element of concern about sovereignty, which you have indicated is safeguarded.

Nevertheless, I am wondering if there are procedures in place or if there have been scenarios contemplated whereby somewhere down the line there would be a serious difference of national security interests between the two allies. One could, I suppose, hypothesise about a post-Suharto Indonesia developing in certain ways and how that impacts upon the Indonesian-Australian alliance on the one hand vis-a-vis an Indonesia which takes measures beyond not buying US F16s on the other. Are there procedures in effect in terms of making sure that the installation is going to continue to run smoothly if all of a sudden the intelligence requirements begin to diversify, unexpectedly or otherwise?

Brig. LEAHY—How to overcome the challenges. I think the answer is continued broad based engagement with everyone who is involved in all aspects of defence and security, both the United States and regionally. Yes, I think there is a balance, and Professor Ball last year or late the year before wrote a book about regional engagement and drew some judgments there, and I think quite properly we should look to prioritise what our interests are and how they parallel with the declared interests of other nations in the region as well as the United States.

So I think at the broadest level it is a requirement for continued engagement. That can be through dialogue, as again Professor Ball with trust and confidence mentions, to find out what opportunities are available through exchanges and exercises that we are already doing. In regard to the marine corps, next year a marine corps company will come to the 3rd Brigade. Currently we have Australian army officers at Quantico, the marine corps university, where they are attending staff college. So we are doing that. We are making the base of exchange wider. I am pleased that we will have very soon in the brigade nine Indonesian officers as part of what is called Kartika exchange. Nine of my officers are currently in Indonesia and we are exchanging inside units. Those officers will deploy with us on our major exercise, which incidentally is with New Zealand, later this year.

I think it is a question of balance, but most importantly I think what we need to be able to provide is a range of options and flexibility to government, so we should not shut off any particular avenue.

Mr BEHM—Dr Tow, I want to make one other comment on your use of the word ‘schizophrenia’ with respect to some of the policy drivers or tensions that one might feel within the way in which we operate ANZUS. It would be worth referring back to the statement the Prime Minister made at the last AUSMIN where he did actually address that issue and said that it is not a question of either/or, it is a question of being able to engage ourselves fully with Asia and at the same time to maintain a healthy and effective alliance relationship with the United States. Certainly I might say that from my perspective, running the division in the Department of Defence dealing with this, I feel no tension whatsoever. But what I do need to do from time to time is make sure that false dichotomies are not put up simply as a way of entertaining my time.

You asked me two questions. One relates to the independence with which both Australia and the United States manage their interests, and the other relates to a scenario of major difference between the two parties. I can answer the first and I cannot answer the second. The first one is simply that the changes made in 1988, which Mr Beazley announced to the parliament at the time, were quite profound in that they moved from an inspection type system, by which Australia did have full knowledge and concurrence, to a participative system where we were fully integrated into the operations of the joint facilities. They were quite profound, and those changes meant that independence is able to be maintained without necessarily having any system of sanctions by which full knowledge and concurrence is maintained.

As for your second question, I cannot comment on whether or not such scenarios have been envisaged and what might happen if a worst case ever were to be reached. That really would be an issue for the government of the day and I would obviously have to defer to ministers on that matter.

Mr HOWE—I am a defence industry consultant. In the absence of Phil Scanlan to

ask an industry based question, I would like to ask the last few speakers a question on economic and industrial benefits from their portfolios. Mr Behm raised the point of the Americans departing from Woomera, which does raise the point that there were significant economic benefits from their presence in Australia. There are also some other developments. We have not mentioned, for instance, the development of an air combat manoeuvring range up near Tindal which no doubt will involve US forces. Is there an opportunity or are there better opportunities for using Australian based industry under the context of the ANZUS Treaty in the context of supporting these cooperative exercises?

Mr BEHM—I can give you a sort of uninformed answer to some of those questions. There are benefits available to Australian industry in a number of ways. The way in which we operate through contractors and subcontractors, for example, do bring both engineering and other technological capacities of Australian industry to bear on the issue, and that is done in a very highly cooperative way. I could not quantify the dollar value of that, but simply note that it does happen.

You are correct in saying that the United States Air Force is a very important economic contributor to the health of Woomera and one wonders what might be left at Woomera after 1999 or the year 2000. On current indicators from a defence perspective, not very much. So you are right in saying that those benefits will no longer be available. But the overall economic benefits of our linkages with the United States were touched upon really very well by a couple of the earlier speakers and I will add no further comment to those.

Vice Adm. WALLS—I think you have taken a singular approach there, Bob, if I could presume to address you in those terms. As I understood it, your question was about Australian based industry under the ANZUS Treaty supporting exercises conducted under the aegis of that treaty. Casting my mind back to the last sort of publicly endorsed statement I saw on industry policy from the government, which I think related to the defence efficiency review, in relation to the notion of non-interventionist policies in terms of industry and the competitive nature of industry, I suspect that we would be having some difficulty with some of the current members of Australian based defence industry—for example, the Europeans and some of the other joint ventures and concerns that we have. So I think you might be lifting the lid on Pandora's box there.

Mr SKAGGS—Mr Chairman, I am Glen Skaggs. I am with the US embassy and posted as a liaison officer over in the DIO. I have a question for Brigadier Leahy or perhaps Vice Admiral Walls. It seems to me that one of the most significant developments in the ADF in the 2½ years that I have been posted here has been the creation and stand up of the new theatre command in Sydney. I would just like to ask your perspectives on the impact that that new command might have over the next 10 to 15 years on the ANZUS alliance in the future. I am thinking particularly of its impact on issues that Brigadier Leahy raised regarding combined exercises, interoperability and the development of joint doctrine for combined exercises and operations.

Brig. LEAHY—I am going to defer to the admiral. To just deal with some very close issues—and the question you have asked is more at the operational and strategic level—I think we will be able to get considerably more coherence through a focused headquarters of the nature of COMAST which will enable us to answer some of the questions and some of the problems that I have raised. But I think the admiral is probably better suited to deal with the strategic and operational level than I am.

Vice Adm. WALLS—That is an interesting question. It is a proper one to attempt to answer, so I will turn it back on you a little. My recollection of the discussions that General Shalikashvili had with General Baker about AUSMIN last year is that he thought it was a significant move which would be very helpful towards joint interoperability arrangements. He also, as I recall, had some remarks to make about it being of significance in terms of its impacting on doctrine 4 of the structure of the US armed forces as well. I am not sure he was being quite so complimentary when he made that latter remark.

Nevertheless, you question the impact on combined exercises. In the main—I would not say without exception, because there are some special forces exercises that come from different parts of the globe—the combined exercise participants come from the Asia-Pacific region. In terms of coordinating and dealing with those and the new Australian theatre commander in Sydney dealing with Pacific Command and the associated operational supporting commanders, I do not see that as doing anything but improving the effectiveness of the arrangements.

In terms of interoperability, most of the practical steps that go towards setting standards, protocols and modifying or developing doctrine come from operators in the main—tacticians initially—and then are conducted at the operational level. So the notion that an operational commander should get direct feedback and direct involvement in addressing what the standards and arrangements for interoperability might be can be nothing but healthy. I would be surprised if people in Pacific Command did not see it in exactly the same terms. Whether or not they might see it in the same way in the Pentagon in Washington is arguable but, presumably, if things are going as well as they ought between Australia and Hawaii, there should be a relatively smooth linkage through to the Pentagon.

In terms of doctrine, it has probably been one of the lesser features of the Australian defence organisation that in the past we have had strategic level involvement in the operational doctrine that should be employed by our fighting forces. So again I see this as being a development which is an improvement. It is an investment for the better in the future.

I know that in the past some of the individuals in Pacific Command have expressed some concern about what the exact nature of the relationship might be and how the communication interfaces might work, but the last discussions I had with the Commander-

In-Chief—Pacific Command—going back two months—certainly had a very satisfactory outcome.

I thank you for your question, I thank you for your deference, and I think we got a good result.

CHAIRMAN - I thank you all for your attendance today. We have done very well with the lecturers. There are three points I want to make. Firstly, there was a question earlier today about a spacecraft with 68 pounds or 78 pounds of plutonium in it. We have done a bit of research on that. The only spacecraft we can find with any thermonuclear or radioactive material in it is a very large spacecraft—a projected orbiter—which is due to be launched in October this year. It will have three radioisotope thermoelectric generators in it because it is going to Saturn, and Saturn is very far out in the solar system. That is an 11-year trip, and solar rays will not work effectively for that. I have no information that it is coming back to visit us after it has taken 11 years to get there.

The second point is that we have a 9 o'clock start tomorrow morning, because we have a videoconferencing link with the Asia-Pacific Policy Centre in Washington. It will be about 7 o'clock at night in Washington. With the linkages, we will have to start on time. We will be dealing with the policies of the United States—currently and in the years ahead—towards the Asia-Pacific region.

Seminar concluded