DEFENCE WHITE PAPER

The 2013 Defence White Paper

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THE 2013 DEFENCE WHITE PAPER

Editors' Note

Defence White Papers are not everyday occurrences—the *Defence White Paper 2013* is only the fourth in two decades, and the second White Paper to published since the inception of this journal. In 2009, this journal published a special issue on the 2009 White Paper (vol. 5, no.2, available at www.securitychallenges.org.au).

In this issue, we have again invited a range of experts to analyse particular aspects of the White Paper, to comment on what the government did and did not decide to do, place these decisions in their historic context, and draw implications for future policy. On behalf of all the authors and the editorial team, we would like to extend a particular thanks to the anonymous reviewers who commented on all the articles in this edition—their timely and constructive feedback was invaluable.

In upcoming issues, we will resume our regular publication schedule. In this context, we would like to draw the readers' attention to the annual ADBR Future Strategic Writers Competition, which closes on 4 October 2013. Details can again be found on our journal website.

Finally, we are pleased to announce that our readers will soon also be able to access *Security Challenges* through the databases of EBSCOhost™.

Andrew Carr   *Peter Dean*   *Stephan Frühling*
Managing Editors
June 2013

The Politics of
Defence White Papers

Peter Jennings

This article analyses the political context of Defence White Papers from 1976 to 2013. Political competition between the major Australian political parties is an inevitable and indeed essential backdrop to policy development. Only by understanding the dynamics of that competition is it possible to understand how governments make key defence policy decisions around strategy, force structure and defence spending. Competition for authority within parties also informs how Prime Ministers use White Papers as a means to cement their own power. A key challenge for governments is the need to look credible as custodians of Australian national security in the perceptions of voters. If one party is unable to demonstrate clear superiority over the other in its management of defence, a secondary aim is to try to remove defence as a point of political difference by claiming bipartisanship on key aspects of policy.

All Defence White Papers are inherently political documents. Presented as statements of policy detailing defence strategy, military equipment acquisition plans and budgeting, White Papers also carry the personal hopes of ministers and the political aspirations of the governments which sponsor them. The blend of policy and politics is entirely a normal feature of the Australian political system. One might hope that good policy makes for good politics, but good or bad, there is no separating the two: Governments make policy aiming to stay in power. Oppositions attack government policy and offer their own alternatives hoping it will put them into power. Policy is a means to get and hold power achieved through politics.

This last comment is, of course, true of the 2013 White Paper, a document conceived and delivered during a period of unceasing political challenges for Julia Gillard's government. To understand the forces which shaped this statement, it is necessary to set the broader context of defence policy over the last generation of Australian politics. In the last forty years there have been six White Papers. Viewed at a distance, they knit into a pattern of relative continuity and gradual change, but each was part of a tough political contest of the day.

Malcolm Fraser and the Politics of the 1976 White Paper

The 1976 White Paper was the product of two major political shocks, one international and one in domestic Australian politics. Had it not been for the dismissal of the Whitlam Government late in 1975, the White Paper may well have been issued by a Labor Government, for its drafting began well before the shock election which put Malcolm Frazer into office. The early 1970s

were a traumatic period for Defence. A Coalition Government withdrew the last Australian batallion from Nui Dat in December 1971 and remaining trainers departed in December 1972, the month the ALP won office. The war had been internally divisive; returning soldiers felt alienated from the wider community and the purpose of the Vietnam War was deeply questioned. In 1968 the United States began its own agonizing extraction from Vietnam. President Richard Nixon announced in Guam in July 1969 that, from that moment, the United States would expect its allies to do more for their own defence.

By 1975, as the last Americans in Saigon were helicoptered off their embassy roof, the fear in Canberra was that the US was abandoning Southeast Asia. How could Australia provide for its own security? The 1976 White Paper started to answer that question by pointing to the need for defence self-reliance. But not even this strategic shock could prevent the Whitlam and Fraser Governments from cutting defence spending. Both sides of politics were content to lower the priority of defence after Vietnam. The pointers to self-reliance in the White Paper remained undeveloped.

At the end of 1979, Malcolm Fraser sought to lift his government's defence profile after the Islamic revolution in Iran and the Soviet invasion of Afghanistan. This can be read as a rather unsystematic attempt by the Coalition to differentiate between itself and Labor. In opposition, the Australian Labor Party (ALP) was moving to the left, its rank and file cohering around a rejection of the Coalition's support for the US alliance. Ronald Reagan's election at the end of 1980 allowed sharper differences to emerge over issues such as the deployment of US theatre nuclear missiles to Europe, and Reagan's investment in the Strategic Defence Initiative.

The first half of the 1980s was a critical period in the politics of Australian defence. An anti-nuclear movement started to gain popular support and found a rallying point in opposition to port access by nuclear powered and/or nuclear armed US ships, and against the Joint Facilities at Pine Gap, Nurrungar and North West Cape, relentlessly called 'US bases' by their opponents. The Victorian Labor Government unilaterally declared the state nuclear free in May 1982. In mid-1982 the then opposition Labor leader Bill Hayden had a damaging encounter with the politics of the ANZUS alliance. Hayden had been pushing Labor's alliance policies to the left by indicating opposition to Malcolm Frazer's agreement to allow B-52 training flights in Australia, and to US use of the North West Cape submarine communications facility. In June 1982 Hayden committed a future Labor Government to ban port access for US warships carrying nuclear weapons. The US administration very quickly indicated this would break alliance cooperation, a point endorsed by an ANZUS Council Meeting Communique later in the month. Hayden was forced to back-down on the port access commitment in late June. In the assessment of Paul Kelly, the stumble damaged Hayden's leadership—he was replaced by Hawke a few months later—and it

"highlighted one of the basics of Australian politics over the past 30 years: that the alliance has been the property of the coalition."[1] Labor's challenge in government was to find a way to come to terms with ANZUS.

Labor in Power: Bob Hawke's Defence Challenges

Elected in March 1983, the Hawke Government knew it had some work to do to reposition ALP thinking on defence and US alliance issues. Hawke recounts in his autobiography how he approached US President Ronald Regan in mid-1983 with a suggestion to review the ANZUS alliance: "I proposed the review not to derogate from the importance of ANZUS but to strengthen the alliance and enhance its relevance."[2] The review created an opportunity to make the case for the joint facilities, the alliance and to refocus defence policy. Hayden as Foreign Minister proposed a number of arms control initiatives including a nuclear free zone for the South Pacific to help establish an ascendancy over the left of the ALP, which he worried would ultimately push to abrogate the ANZUS treaty.[3]

In the December 1984 election, which re-elected the Labor Government under Prime Minister Bob Hawke, 643,061 votes were cast for Nuclear Disarmament Party (NDP) candidates for the Senate, some 7.23 per cent of total votes.[4] On re-election Hawke's Government was almost immediately thrown into crisis over whether to support a request from the Reagan Administration to an MX missile test. The warhead would splash-down in international waters in the Tasman Sea, east of Tasmania. Hawke initially agreed and was then forced to back down on the commitment by his party. Cabinet records of January 1985, declassified in 2013, show the Government debated whether they could support the test but not publicly reveal they had done so.[5] In what was regarded as the first crisis of his otherwise highly popular prime ministership, Hawke was forced to withdraw his government's support for the MX test.

Defence and security issues presented an enormous challenge for the Hawke Government. Pressured on the left by the NDP and by the example of an overtly anti-nuclear New Zealand Labour Party earning popular support by banning port access to US Navy ships in early 1984, the challenge for Hawke's team was to design a defence policy that the ALP could endorse and still be palatable to a more pro-defence electorate. Whereas anti-nuclear views were solidly mainstream in New Zealand, they remained a

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[1] Paul Kelly, *The Hawke Ascendancy: A definitive account of its origins and climax 1975-1983*. (Pymble: Angus and Robertson Publishers, 1984), pp. 176-186.
[2] Bob Hawke, *The Hawke Memoirs* (Melbourne: William Heinemann, 1994), p. 214.
[3] Bill Hayden*, Hayden: An Autobiography* (Pymble: Angus and Robertson, 1996), p. 392.
[4] The election results can be found on the University of Western Australia's Australian Politics and Elections Database at <http://elections.uwa.edu.au/>.
[5] See the Cabinet Security Committee Decision 4613 of 29 January 1985 at:
<http://recordsearch.naa.gov.au/scripts/Imagine.asp?B=31398987> [Accessed 11 June 2013].

fringe issue in Australia. Australians valued the US alliance and worried more than their Kiwi cousins about potential threats in the region. Opinion polls showed Australians wanted to see more spent on defence. A Labor government which bowed to the anti-nuclear and equivocal alliance views of a significant part of its members would have run the risk of a major break in the US alliance relationship and of alienating many voters, as happened in New Zealand in 1984.[6]

Hawke's approach was to recast the basis of defence policy thinking in a way that moved the party closer to mainstream Australian views on security. The Labor Government renegotiated arrangements around the Joint Facilities, significantly enhancing Australia's involvement and establishing the principle of Australian Governments having 'full knowledge and concurrence' of their activities. Through carefully worded ministerial statements and a series of public papers, the government set out the case for an intelligence relationship with the United States that the majority of the Labor caucus could support. Reviews of nuclear port access arrangements set out safety requirements in designated locations which the majority in both the ALP and the country could accept. The case for ANZUS was made by explaining the benefits of the alliance in terms of access to intelligence, equipment, exercises, training and senior US political attention.

Although this did not satisfy hard line anti-nuclear and anti-alliance activists, it satisfied the ALP, who saw the outcome as a more controlled, more equal relationship with the United States. In Kim Beazley's assessment:

> As we 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.[7]

Hawke's approach, in essence, persuaded the majority of his party and his ministers of the value of the alliance.

In 1985 Defence Minister Kim Beazley appointed a senior defence official, Paul Dibb, to review the capabilities of the defence force, and recommend appropriate policies for a following White Paper. The 1987 White Paper is well known in terms of its policy outcomes. Four core policy elements stand out: Strong support for the US alliance; support for reasonably high levels of defence spending given the absence of direct threats; support for maintaining a high-technology but limited manpower force, and; support for designing the Australian Defence Force (ADF) around a tightly defined concept of 'the defence of Australia' (DoA). Subsequent White Papers have

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[6] Ian McAllister and Juliet Pietsch, *Trends in Australian political opinion: results from the Australian election study 1987-2010* (Canberra: Australian National University, 2011). Note in particular pp. 60-66, reporting on attitudes on defence and security.
[7] Kim Beazley, address to a seminar on *ANZUS After 45 Years*, Joint Standing Committee of Foreign Affairs, Defence and Trade, Defence Sub-committee, September 1997, pp. 46-47.

to greater or lesser degree taken this approach as the starting point for defence policy. It has also provided a strong basis for making decisions about force structure priorities, which has put some discipline (at times ignored by Governments and the Defence organisation) into ensuring equipment choices are relevant to DoA tasks. This has enabled a high level of bipartisan support, as was shown by the Howard's Government's endorsement of the DoA concept in its 2000 Defence White Paper, which in turn has allowed consistent and steady force structure planning.

Given the obvious policy benefits, it hardly matters that the core purpose of the 1987 White Paper—defending Australian territory from armed attack—has from a strategic perspective been an utterly remote possibility. On no day since 1987 has this dire threat been even faintly in prospect. Apart from some domestic disaster response tasks and regular border protection duties, every ADF operation since that time has been far from our shores. The East Timor crisis in 1999 carried with it the potential for Australia and Indonesia to be in direct military conflict. Much of the story of the INTERFET deployment into East Timor in September 1999 was about the efforts of Canberra, supported by Washington, to avoid that outcome with Jakarta. It was not a near run thing. Once the United States had decided to decisively back the Australian-led intervention there was little prospect, and even less capacity for Jakarta to turn the crisis into a conflict with Australia. It is nevertheless around scenarios of conflict between Indonesia and Australia that the DoA concept as a military strategy is most relevant. No Australian government can ignore that risk.

It may be objected that a core purpose of defence policy is to prepare for remote but very dire possibilities, but more immediate purpose of the 1987 White Paper was political: To craft a defence policy the ALP could sign up to; to create a way for Labor leaders to show they were strong on defence (and therefore electable); and as far as possible to remove defence as a sharp point of difference between Labor and the Coalition.

On these measures the 1987 White Paper was a resounding success. It is a model of good policy development informed by necessary political objectives. By using frequent ministerial statements, detailed policy speeches, discussion and information papers and Dibb's *Review of Australia's Defence Capabilities*, the Hawke Government sold its policy to the ALP audience, many of whom would have been happy to go down the New Zealand path of de-facto non-alignment. It was also fortunate for Hawke that the policy was not tested other than through niche peacekeeping operations and the very constrained deployment of some ships to the first Gulf War in 1990. The consensus of structuring for DoA was not tested.

The 1994 White Paper continued the policy setting of its predecessor. Its political purpose was twofold. First, it demonstrated that Labor's defence approach was still valid after the collapse of the Soviet Union and the end of

the Cold War. Second, it made it possible for Prime Minister Keating to brand his own defence policy approach. An important political function of White Papers is for them to be 'owned' by a Prime Minister. It is an important credential of office and often a way for a Prime Minister to demonstrate that they have arrived in office as someone able to operate in international affairs. We shall see later that a White Paper without a Prime Minister actively claiming to 'own' it does not survive for long.

After Labor moved into the defence political middle ground, defence policy was largely bipartisan in the 1987, 1990, 1993, 1996 and 1998 elections. The major parties sought to magnify differences on secondary issues of managerial competence. A deep-seated Labor fear of being accused of being soft on the US alliance or weak on defence was avoided. For its part the Coalition could concentrate on what it took to be its strong suit, economic management—it actually went into the 1993 and 1996 elections planning to cut defence spending. Both sides of politics were happy to call the defence competition a draw and focus on other political targets.

John Howard's National Security Decade

John Howard resisted producing a Defence White Paper in his first term of office between 1996 and 1998. He had a conservative's natural suspicion of what Kevin Rudd once called 'programmatic specificity'[8] and liked to keep his political options open. But by early 1999 a new White Paper was being drafted. In policy terms the final product, issued in late 2000, was notable for its broad continuity with its predecessors. DoA had broadened a little to become 'DoA plus'—the practical outcome of the East Timor operation, and a realization that the most likely use of land forces was going to be stabilisation operations in the inner arc and the South Pacific. The White Paper set out John Howard's claim for natural leadership of national security, after the East Timor operation, via a commitment to major long term spending growth. There was little the opposition could do other than to offer bipartisan support.

Something to be said for the 2000 White Paper was that John Howard felt he owned it. Classified Cabinet options papers and the draft of the public White Paper were systematically discussed in the National Security Committee of Cabinet from late 1999 through to late 2000. Howard had worked his way through the issues to his satisfaction and did not feel the need to revisit them with a new White Paper during the rest of his time in office.

The 2000 White Paper began a remarkable run for defence policy and defence politics in an era which has since been described as 'the national security decade'. The use of military forces to apprehend the Norwegian

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[8] Aleisha Preedy, 'Rudd bamboozles Germans with 'programmatic specificity'', *perthnow.com.au*, 9 July 2009, <www.perthnow.com.au/news/rudd-bamboozles-germans-with-programmatic-specificity/story-e6frg12c-1225747867748> [Accessed 11 June 2013].

freighter the MV Tampa in August 2001 as it carried a number of asylum seekers rescued from a distressed boat, Australia's response to the 9/11 attacks in the United States, the Bali bombings, the Iraq War, the Afghanistan War, the 2006 reintervention in East Timor and a host of smaller military operations in the Pacific marked out a period when the Coalition Government was forced to respond to security challenges, and did so in militarily substantial ways.

Opinion polls show that although public opinion divided on Australian involvement in Iraq and Afghanistan, the Coalition retained a strong lead over Labor in terms of being seen to be the better party on national security.[9] Howard reinforced this with a series of high-cost investments in defence equipment not anticipated in the 2000 White Paper, such as Super Hornet and C-17 transport aircraft and additional Army battalions. Events allowed the Coalition Government to give great prominence to its management of security. Following the Al Qaeda attacks in the United States in September 2001, Howard invoked the ANZUS treaty for the first time in the alliance's history. These events gave the election in November that year a military flavour—one which helped the Coalition electorally. After six years in office the Liberals received a voter swing to it of 3.19 per cent.[10] Defence figured less prominently in the 2004 and 2007 elections.

Labor struggled over this period to manage an effective response to the politics of Howard's defence policies. In the lead up to the 2003 Iraq War, Simon Crean as leader of the ALP struggled to draw the distinction between support for deployed troops in Iraq but opposition to the war, at least without just one more UN Security Council resolution.[11] As shadow defence spokesman before the October 2004 election, Kim Beazley competed with Howard to see who could sound stronger on counter -terrorism measures.[12] Kevin Rudd supported the Afghanistan operation but not the manner of the war's fighting. The experience shows that it is difficult for oppositions to do anything other than offer bipartisan support to military operations. Fine points of policy difference are lost in the debate and the electorate does not like any hint (accurate or not) that the troops are not being supported—a noticeable change of community sentiment since the Vietnam War.

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[9] Newspoll data between January 2001 and January 2013 on the question ''who is best able to handle defence/national security?' shows that during that time the ALP has never led the Coalition on that measure. See Mark Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2013-2014* (Canberra: Australian Strategic Policy Institute, 2013), p. 10.
[10] See <http://results.aec.gov.au/10822/Website/index.html> [Accessed 13 June 2013].
[11] Peter Jennings, 'The Iraq war decision ten years on', *The ASPI Strategist*. 10 March 2013, <www.aspistrategist.org.au/the-iraq-war-decision-ten-years-on/> [Accessed 13 June 2013].
[12] See Beazley's interview on the ABC *Lateline* program, 20 September 2004, and of then Defence Minister Robert Hill's interview on *Lateline* on 21 September 2004:
<www.abc.net.au/lateline/content/2004/s1203369.htm> and
<www.abc.net.au/lateline/content/2004/s1204180.htm> [Accessed 13 June 2013]

Kevin Rudd and the 2009 White Paper

Both government and opposition went into the 2007 election campaign promising to write a new White Paper. Labor started the task in 2008. The final product in 2009 was a curious document in some respects, with politics and policy even more closely inter-twined than usual. Politically, the White Paper gave the Rudd Labor Government an opportunity to assert its claim to be the natural party of national security, after twelve years in which Howard had played a strong defence hand. Rudd's own personality figured large. He had strong interests in international affairs and a detailed knowledge of regional strategic developments. In September 2008 at a Returned Service League Conference in Townsville he gave a speech setting out his concerns about the growth of maritime power in Asia, which formed the backdrop to the White Paper. At a subsequent media conference Rudd was very pointed in his observations:

> Well, we have got to deal with facts and reality. Australia is in a region where there is an explosion in defence expenditure, or arms expenditure, across large parts of the Asia-Pacific region. So, you can either ignore that, or you can take practical steps in response to it at the defence level. … there has been an arms race underway, or an arms build- up …, across the Asia-Pacific region for the better part of the last decade. …I am saying quite clearly that if we are to be serious as a maritime power and defending our sea-lines of communication, Australia needs a naval capability which is able to do that. We need to plan for it, we need to provide the manpower for it and we need to provide the funding for it.[13]

Rudd's strong international credentials, however, were a potential vulnerability in domestic politics. Would the former diplomat, able to fluently deliver speeches in Mandarin, be in some way too pro-Chinese? The need to counter this perception fed into the White Paper, which placed a much closer focus on China, worried about the growth of Chinese military power on regional stability and posited a major growth in Australian naval power as a response. The interpretation that the 2009 White Paper was anti-Chinese has gathered strength in recent years and is not entirely accurate. Like the 2013 White Paper, the 2009 version points to China's potential to contribute to regional security "as a leading stakeholder in in the development and stability of the global economic and political system." On balance though the 2009 statement was more attentive to the risks around China's rise:

> the pace, scope and structure of China's military modernisation have the potential to give its neighbours cause for concern if not carefully explained, and if China does not reach out to others to build confidence regarding its military plans. China has begun to do this, but needs to do more. If it does

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[13] Prime Minister Rudd's speech and media conference are available in Gregory P Gilbert and Nick Stewart, *Australian Maritime Issues 2008 SPC-A Annual* (Canberra: Sea Power Centre, 2009).

> not, there is likely to be a question in the mind of regional states about the long-term strategic purpose of its force development plans… [14]

The statement in rather coded terms also discussed measures the ADF might need to take in the event that a "major power adversary" sought to operate "in our approaches." In those circumstances, the 2009 White Paper stated, that "the weight and reach of the force the Government intends to build" means that the ADF would be able to "to attend to our local defence needs against a major power adversary … and that substantial costs will be imposed on our adversaries."[15] It is difficult to see which country could be in contemplation other than China.

Perceptions of the 'anti-Chinese' character of the White Paper had less to do with the wording of the statement than of the media buzz which surrounded it. Undisciplined and off-record briefings to the Canberra press gallery stressed the toughness and 'hard driving' nature of the statement, characterising it as a victory for Canberra 'hawks.' The subsequent leaking of details of a pre-release briefing on the White Paper to Chinese officials strengthened views that this White Paper was taking a tough approach.[16] Kevin Rudd reinforced the anti-China perception as a result of his remarkable outburst in December 2009 at the Copenhagen Climate summit. "Those Chinese f**kers are trying to rat-f**ck us", he is reported to have said of the Chinese delegation at the conference.[17]

The 2009 White Paper set out a major spending growth plan, like its 2000 predecessor, lasting twenty years into the future. Doctrinally the document was more outward looking than that of 1987, more a 'DoA plus, plus.' Even allowing for subsequent overstatement of its position on China, the White Paper was by any standard a bullish statement of defence policy, a paper the Prime Minister 'owned' and had uniquely shaped. The opposition couldn't do much to challenge it. Politically they couldn't look 'weaker' than it by saying they would spend less or buy less. So, bipartisan support was the order of the day.

Julia Gillard Changes Focus

The resignation of Defence Minister Joel Fitzgibbon within weeks of the White Paper's release left the policy without a sponsor and Rudd's loss of the party leadership and with it the Prime Minister's position in June 2010

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[14] Commonwealth of Australia, *Defending Australia in the Asia-Pacific Century: Force 2030* (Canberra: Department of Defence, 2009), paras 4.25-27.
[15] Ibid., paras 8.45-46.
[16] Cameron Stewart and Patrick Walters, 'Spy chiefs cross swords over China as Kevin Rudd backs defence hawks', *The Australian*, 11 April 2009; John Garnaut, Michelle Grattan and Michelle Davis, 'Military build-up ' risks new Asian Arms race'', *The Age*, 4 May 2009; Philip Dorling and Richard Baker, 'China's fury at defence paper', *The Age*, 10 December 2010.
[17] Rudd's statement was initially reported by David Marr in *Power Trip: The Political Journey of Kevin Rudd*, Quarterly Essay, no. 38 (Collingwood: Black Inc, 2010).

removed the statement's key champion. A policy so personally identified with Rudd struggled to find advocates after his departure. Described by former Labor leader Mark Latham as a 'once in a century egomaniac',[18] Rudd's personality and chaotic management style underlined the reasons for his political demise and suffused the 2009 White Paper. It is difficult to escape the thought that the ALP's flight from Rudd made it easier to walk away from two of the most difficult aspects of the 2009 White Paper: the funding growth commitment and the tougher line on China. Julia Gillard made it clear that her focus would be on social issues. Her spending priorities were elsewhere. Although she did not have a strong interest in international issues, neither did Julia Gillard need to show how tough she was on China. Defence Minister Stephen Smith however continued to say that the government was sticking with the force structure expansion plans set out in 2009.[19] As a matter of politics it is difficult for any government to walk back from defence acquisition plans, for fear of being charged by the opponents as being weak on defence.

Re-elected as a minority government in late 2010, the demands of dealing with a largely hostile parliament, sluggish economy, lower than predicted revenues and a number of high-cost new social welfare and education programs all served to keep defence as a low priority, except in as much as savings and efficiencies could help to lower its impost on general revenue. Fortunately for the government, the 2009 White Paper contained the means for its own termination. It committed the government to new White Papers, no later than five years apart. A new White Paper would therefore be due in 2014.

Even before Rudd ceased to be Prime Minister but with increasing urgency after his departure, the impact of a much more powerful political driver was re-shaping Labor policy. The imperative for Labor to be seen to be good economic managers was forcing substantial defence spending cuts and deferrals as the government strived to bring the budget back into surplus ahead of the September 2013 election. In the May 2012 budget more than five billion dollars was cut from defence funding, reducing spending to 1.6 per cent of GDP, the lowest proportion spent on defence since 1938.[20] A few days before the budget Defence Minister Stephen Smith and Julia Gillard jointly announced the commissioning of a new White Paper, to be delivered in 2013, a year ahead of schedule. As a political act this was a clever move. Nothing more decisively kills off a problematic policy than to announce that its replacement is being developed. The announcement deflected attention somewhat from the impact of the budget cuts and bought

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[18] Ben Packham, 'Kevin Rudd's a lunatic, says Mark Latham,' *The Australian*, 7 June 2013.
[19] For example, Smith reiterated the commitment to twelve submarines in his address to the Submarine Institute of Australia on 10 November 2010:
<www.minister.defence.gov.au/2010/11/10/opening-address-to-the-fifth-biennial-conference-of-the-submarine-institute-of-australia/> [Accessed 13 June 2013].
[20] Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2013-2014*, p. 28.

the government a breathing space, during which time questions about how to balance spending cuts against acquisition priorities could be deferred until after the new White Paper.

While the announcement of a new policy development process may have been a good political strategy, Labor faced a deeper problem in deciding how to deal with the content of a new White Paper. Both sides of politics, but Labor in particular, have a fear of being characterised as weak on defence. Abandoning equipment plans can translate into lost jobs or investment in Australian industry. This concern has been added to with the arrival of well-organised lobbying for defence spending on the part of state governments, especially in Victoria and South Australia and around shipbuilding. The 2009 White Paper had expanded plans for ship and submarine building, and the challenge for the government was to reconcile a series of diverging realities: How to justify defence spending cuts at the same time as paying heed to changing strategic circumstances and without looking as though this would impact on equipment acquisition. These three elements competed uneasily in Gillard and Smith's media conference of 3 May 2012 announcing the new White Paper.

Gillard initially announced six reasons for bringing the White Paper forward:

> First, the strategic shift in our region described in the 2009 White Paper has continued as global weight has moved to our region of the world. Second, we now know far more clearly the transition time frames for our mission in Afghanistan and our draw-down in East Timor and the Solomon Islands. Third, we now have the Defence Force Posture Review. … Fourth, at the time of the 2009 White Paper the global financial crisis was still unfolding, as were its strategic impacts. We need to take stock of those impacts for our defence arrangements. …We also need to keep driving the defence reform program and … ensuring that we retain these skills in Defence that we need …

She then set out the case for reducing defence spending, stating that "I do want make clear … that Defence will be making an important contribution to the Government's fiscal objectives". Finally the Prime Minister identified areas that would not be cut:

> there will be no impact on any of our overseas operations … there will be no impact on the equipment provided to ADF personnel on deployment overseas … there will be no impact on ADF numbers … there will be no impact on entitlements … and in relation to capability, as I've said, the core [2009] White Paper projects will continue to be delivered. … the Government is committed and remains committed to acquiring 12 new Future Submarines to be assembled in South Australia. In our strategic

> environment we need strong maritime capabilities and that's why we need a potent submarine force.[21]

On the one hand the strategic changes outlined seemed to imply a greater sense of urgency in reviewing Defence, but on the other hand, funding cuts and delays in equipment delivery pointed to perhaps less reason to invest at high levels in defence. A third message was that nothing was really going to change as far as 'core' capabilities were concerned. These different factors made for an inconsistent jumble of policy priorities, but consistency does not necessarily have to be a part of political messaging. The government's announcement of a new White Paper attempted to speak soothing words to different constituencies and largely succeeded in that task.

Two major policy statements helped set the context for the new Defence White Paper. An Asian Century White Paper was released in November 2012, enthusiastically setting out a picture of un-interrupted economic growth and Australian opportunity in Asia in coming decades. The statement's origins were curious. It was produced essentially outside of the public service by a team lead by former Treasury Secretary Ken Henry. There was no Department of Defence representation on the steering committee, and the inclusion of the United States seemed to be a grudging afterthought. Final drafting of the statement was handed to the then Director General of the Office of National Assessments. The product included a short chapter on security which did little to alter the paper's overall upbeat assessment of prospects for the Asia-Pacific. The whole package, including proposals to massively lift Australia's ranking among the global economies, was endorsed as policy by Cabinet.[22] The reader was left wondering how a government could produce two such differently toned documents as the 2009 White Paper and the Asian Century White Paper. The answer, of course, is that the shift from Kevin Rudd to Julia Gillard had brought fundamental changes to Australia's strategic policy. The Asian Century statement was a decisive policy rejection of the 2009 White Paper's more pessimistic assessment of the prospects for regional security. Through the 2012 statement Julia Gillard put her personal stamp on the government's external policies. This was the White Paper which Gillard 'owned', and in it she distanced herself from Rudd's legacy, weakening the case for higher levels of defence spending.

The January 2013 release of a National Security Strategy continued the Gillard Government's largely positive interpretation of regional security. The Prime Minister's forward to the Strategy says:

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[21] Prime Minister, Minister for Defence, Minister for Defence Materiel, *Joint Press Conference*, 3 May 2012, <www.minister.defence.gov.au/2012/05/03/prime-minister-minister-for-defence-minister-for-defence-materiel-joint-press-conference-canberra-2/> [Accessed 13 June 2013].

[22] See Peter Jennings, *Ken Henry's Asian Century*, ASPI Policy Analysis, no. 104 (Canberra: Australian Strategic Policy Institute, 2012); and Peter Jennings, 'The Asian Century White Paper: One plan to rule them all', *The ASPI Strategist*, 29 October 2013, <www.aspistrategist.org.au/the-asian-century.white-paper-one-plan-to-rule-them-all/> [Accessed 11 June 2013].

> Some 12 years on [from the 9/11 attacks] our strategic outlook is largely positive. We live on one of the safest and most cohesive nations in the world. We have a strong economy. A major war is unlikely. Our highly-effective national security capability is already focussed on national priorities.[23]

The statement of course mentioned potential risks and the dangers of misunderstandings, and the PM warned that Australia should not be complacent. But there was no mistaking the up-beat tone, nor the repeated use of the word 'positive' in describing "the relatively benign global landscape." In her launch speech the PM effectively declared the end of the national security decade, which had begun with the attack on the twin towers: "Osama Bin Laden is dead. Al Qaeda's senior leadership is fractured. Jemaah Islamiah has been decimated in our region." These and other challenges, Gillard said, were the focus of her predecessor. Her strategy "enters a new era of national security priorities." Its purpose was to "inform priority-setting in a time of fiscal constraint."[24]

These two Gillard policy statements strived to achieve two objectives. Within the ALP the aim was to cement her leadership from attack by Kevin Rudd, a man who appeared relentless in his objective to regain the Labor leadership. Externally, the statements were driven by the need to reduce spending on defence as a way to push the federal budget back into surplus. It is difficult to escape the conclusion that the National Security Strategy retro-fitted a benign strategic narrative to a series of decisions which had already stripped billions of dollars from defence spending.

Released on 3 May 2013, exactly a year after its foreshadowing, the 2013 White Paper completed the trilogy of foreign and national security policy documents released by Gillard's government. On strategy, the White Paper welcomed China's rise, urged more effective bilateral relations between Beijing and Washington and made muted noises of concern about regional flash points. The paper offered a more realistic assessment of regional security than the *Asian Century White Paper*, but offered a more benign interpretation than the 2009 White Paper. It described Australia's region as being part of an 'Indo-Pacific strategic arc', a term much favoured by Western Australian Stephen Smith. As the government indicated a year earlier there were few changes to force structure. 12 Growler aircraft equipped with advanced electronic warfare systems were purchased. Smith hinted that the trade-off might be to purchase 30 fewer Joint Strike Fighters, but that this would be a matter for a future government. The commitment remained to 12 future submarines—led more by industry and electoral politics than any strategic appreciation of the need for submarines—and the

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[23] Commonwealth of Australia, *Strong and Secure: A Strategy for Australia's National Security*. (Canberra: Department of Prime Minister and Cabinet, 2013).
[24] Julia Gillard, 'Australia's National Security Beyond the 9/11 Decade'. 23 January 2013, <www.pm.gov.au/press-office/australias-national -security-beyond-the-911-decade/> [Accessed 11 June 2013].

government claimed to have narrowed the choice to larger and therefore more expensive new designs.

On defence spending the White Paper said substantively even less than the 2009 version, leaving it to the budget a week later to reveal an increase of around $3 billion within the forward estimates. Detail on long term spending projections was deliberately limited but estimates are that some $30 billion has been cut from what was planned in 2009 to 2022. The increase in funding was unexpected, although as a proportion of GDP defence spending again was at the lowest level since 1938 at 1.59 per cent. Defence was probably spared further cuts because of the acknowledgement that a surplus was out of reach: the reality of a deficit meant that little effort was made to further trim defence.[25] But the $30 billion difference between the defence equipment plan repeated from 2009 and reduced expenditure remains a gap which can only be filled with more money, or by cutting the shopping list.

Here, then, is the ultimate irony of the 2013 White Paper: It describes a strategic outlook somewhat more benign than its predecessor, but there is almost no change to force structure, beyond the addition of the extra Growler aircraft. Billions have been cut from defence spending since 2009, but the 2013 White Paper maintains that this has no effect on plans to deliver core capabilities. So here is a White Paper where there is no apparent connection between strategic outlook and force structure and no link between equipment acquisitions and the budget. Apart from criticisms about managerial competence, the Coalition has not advanced any critique of the statement, and indeed shares a bipartisan approach to defence spending, as Stephen Smith triumphantly noted at the White Paper's launch. In terms of strategic outlook, there is little that a Coalition government could object to in the White Paper's analysis, but they may look to change the tone of some of the language and to find a better way of describing assessments about China's regional role. Both the Coalition and the government claim an aspiration to lift defence spending to two per cent of GDP. Both parties refuse to say when that will happen.

In the absence of credible policy on strategy, force structure or money, the only purpose the 2013 White Paper serves is a political one: to remove defence as a point of difference between the ALP and the Coalition in the lead up to the September 2014 election. That is a result both sides of politics are happy to accept, because neither are prepared in the run-up to an election to acknowledge the unreality of Defence's budget situation. Bipartisanship in this case masks a collective failure of Australian politics to close a structural gap between aspiration and money.

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[25] Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2013-2014*, pp. vi, 28.

The Defence White Paper 2013 and Australia's Strategic Environment

Brendan Taylor

The depiction of Australia's strategic environment in the 2013 Defence White Paper has been one of its most favourably received elements. This article examines the White Paper's treatment of China's rise, and of the US-China relationship, the newly introduced construct known as the 'Indo-Pacific strategic arc', and the White Paper's renewed focus on defence engagement with Indonesia, and with Southeast Asia more generally, highlighting some of the challenges of this approach. While acknowledging the favourable reception that much of the analysis contained in the 2013 White Paper has received, the article concludes by observing that it may have over-corrected trying to redress the shortcomings of its 2009 predecessor.

Recasting China's Rise

The depiction of China in the 2009 White Paper was arguably its most contentious aspect. The 2009 paper gave prominence to "the strategic implications of the rise of China", assigning it a separate section. China was predicted to become "the strongest Asian military power, by a considerable margin." Central to its military modernization would be "the development of power projection capabilities." This modernization was adjudged in the 2009 White Paper as being "beyond the scope of what would be required for a conflict over Taiwan" and a potential "cause for concern" amongst China's neighbours.[1] The 2009 iteration also referred to the prospect of "major power adversaries operating in our approaches", a judgment that commentators unanimously took as referring to China.[2]

Arguably the biggest headline from the 2013 White Paper is the ostensibly softer tone and approach it takes towards depicting China. In the 2013 iteration, "Australia welcomes China's rise" and "does not approach China as an adversary." It goes on to characterize China's military modernization as "a natural and legitimate outcome of its economic growth."[3] Yet as a number of commentators have observed, despite this softer tone there remains beneath the surface of the 2013 White Paper a 'sting in the tail' as far as its strategic depiction of China is concerned. Rory Medcalf of the Lowy Institute for International Policy, for example, observes that

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[1] Commonwealth of Australia, *Defending Australia in the Asia Pacific Century: Force 2030* (Canberra: Department of Defence, 2009), p. 34; paras 4.26-27.
[2] See, for example, Paul Dibb, 'Is the US Alliance of Declining Importance to Australia?', *Security Challenges*, vol. 5, no. 2 (Winter 2009), pp. 31-40.
[3] Commonwealth of Australia, *Defence White Paper 2013*, (Canberra: Department of Defence, 2013), paras 2.27-29.

buried in all that sweetness, it says plainly that Australia may need to be prepared to 'conduct combat operations to counter aggression or coercion against our partners.' That can mean many things, but one of them remains the possibility, however remote, of joining a US-led war against China.[4]

In similar vein, Amy King points out that the new White Paper makes frequent mention of Asia's flashpoints, with China providing a central focus:

the White Paper is exceedingly clear that these territorial disputes in Southeast and Northeast Asia are directly linked to regional states' concerns about China's military modernization.[5]

Unlike the 2009 White Paper, however, the 2013 version deals with China and the United States in tandem, rather than allocating separate sections. Consistent with the January 2013 National Security Strategy, which described the US-China relationship as "the single most influential force in shaping the strategic environment",[6] the 2013 White Paper suggests that "more than any other, the relationship between the United States and China will determine the outlook for our region." While acknowledging that some strategic competition between these two regional heavyweights is "inevitable", the new White Paper is remarkably upbeat on relations between Beijing and Washington. It predicts their most likely future as being "one in which the United States and China are able to maintain a constructive relationship encompassing both competition and cooperation."[7] And in what appears to be a response to the arguments of Hugh White, it asserts that

the Government does not believe that Australia must choose between its longstanding Alliance with the United States and its expanding relationship with China; nor [that] the United States and China believe we must make such a choice.[8]

While acknowledging that the future of the US-China relationship will be characterized by a mix of competition and cooperation, the 2013 White Paper does not specify what the balance between these two opposing ends of the spectrum might look like.

The assessments underpinning the 2013 White Paper are rather positive in this regard, seeming to imply that cooperation and the successful management of competitive tendencies are likely to prevail. That is certainly one conceivable scenario, but only one amongst many possible Sino-US security futures. A widely cited report produced recently under the auspices

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[4] Rory Medcalf, 'Sweet and sour in defence take on China', *The Australian Financial Review*, 6 May 2013, p. 47.

[5] Amy King, 'A change of tone on China', *The Drum*, 6 May 2013, <www.abc.net.au/unleashed/4670988.html> [Accessed 4 June 2013].

[6] Commonwealth of Australia, *Strong and Secure: A Strategy for Australia's National Security* (Canberra: Department of the Prime Minister and Cabinet, 2013), p. i.

[7] Commonwealth of Australia, *Defence White Paper 2013*, para 2.19.

[8] Hugh White, *Power Shift: Australia's Future Between Washington and Beijing*, Quarterly Essay, no 39 (Collingwood: Black Inc., 2010).

of the Carnegie Endowment for International Peace, for instance, outlines no less than six possible strategic environments that could emerge over the next two decades as a consequence of different trajectories pursued by the US, China and Japan.[9] To be sure, because the primary purpose of a White Paper is to outline a new policy direction, with accompanying reasoning and evidence to support that direction, it cannot afford to be as comprehensively equivocal as a lengthy policy report issued by a think tank or academic institution. Nevertheless, so as to acknowledge and 'hedge' against the range of possible futures in US-China relations, greater care could still have been taken in the wording of the 2013 White Paper to reflect this reality.

An 'Indo-Pacific Strategic Arc'

Whereas the 2009 White Paper gave prominence to the term 'Asia-Pacific', including in its title, to highlight Australia's area of priority strategic focus, the 2013 iteration shifted this focus by introducing a 'new' strategic construct referred to as the 'Indo-Pacific strategic arc.' Use of this term was not unexpected. In the months leading up to the White Paper's release, Defence Minister Stephan Smith had delivered several high profile speeches giving considerable attention to the 'Indo-Pacific' idea. Foreshadowing the direction of the White Paper in an August 2012 speech to the Lowy Institute for International Policy, for example, the Minister suggested that the Indo-Pacific was emerging as "the world's centre of gravity", not least because it "will be home to three of the world's superpowers – the United States, China and India."[10] The January 2013 National Security Strategy had also made passing reference to the 'Indo-Pacific' construct.[11]

However, the focus given to the 'Indo-Pacific' in the 2013 White Paper was much sharper and of greater prominence than that afforded in the National Security Strategy. Peter Jennings cautioned the reader in this regard:

> don't be fooled by the language stressing continuity between this document on the one hand and the Asian Century White Paper and National Security Strategy on the other. Of these three, the White Paper reflects by far the most sophisticated approach.

Of the Indo-Pacific, Jennings went on to observe that it represents a

> far more realistic way to think about our interests than the Asian Century White Paper's approach, which is to emphasize a narrow set of relationships with a limited number of countries.[12]

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[9] Michael Swaine et. al., *China's Military and the U.S.-Japan Alliance in 2030: a strategic net assessment* (Washington D.C.: Carnegie Endowment for International Peace, 2013).
[10] Stephen Smith MP, Minister for Defence, 'Paper presented to the Lowy Institute on the 2013 White Paper', Lowy Institute for International Policy, Sydney, 9 August 2012.
[11] Commonwealth of Australia, *Strong and Secure*, pp. 17 and 30.
[12] Peter Jennings, 'Australia's Defence Positioning', *The Strategist*, 3 May 2013, <www.aspistrategist.org.au/australias-defence-positioning/> [Accessed 17 June 2013].

Jennings' comparison of the National Security Strategy and the 2013 White Paper is an apt one. Of the two, the former is particularly loose in its use of the 'Indo-Pacific' terminology, contending that

> to define Australia's strategic setting … use of the term "Indo-Pacific" complements the term "Asia-Pacific"—they are both useful frames through which to view Australia's national security interests.[13]

In reality, such an approach arguably serves to undermine the sense of coherence that the Gillard Government had been seeking to achieve by releasing a trio of White Papers in such close succession.

What distinguishes the 2013 White Paper's characterization of Australia's strategic environment in this regard is its depiction of the 'Indo-Pacific' as a 'strategic arc.' Such a depiction is reminiscent of Paul Dibb's 'arc of instability' which with Dibb used to describe the area that

> stretches from the Indonesian archipelago, Timor Leste and Papua New Guinea in the North, to the Solomon Islands, Vanuatu, Fiji, New Caledonia and New Zealand in the East.[14]

A similar degree of precision is not quite attained in the 2013 White Paper, which provides a more general characterization of the Indo-Pacific strategic arc as covering the area "extending from India th[r]ough Southeast Asia to Northeast Asia, including the sea lines of communication on which the region depends."[15] Nevertheless, the utility of referring to the Indo-Pacific as a 'strategic arc' lies in the fact that it potentially allows specification of where the Indo-Pacific begins, which key players it encompasses, and where it ultimately ends. This constitutes a useful step forward.

From a purely Australian perspective, the Indo-Pacific construct is one that seems worth persevering with when thinking about Asia's evolving strategic environment. As the 2013 White Paper notes, achieving or even influencing strategic outcomes is going to become more difficult for Australia in this increasingly complex environment: "Asian countries will balance a broader range of interests and partners, and Australia's voice will need to be clearer and stronger to be heard."[16] Against that backdrop, because the Indo-Pacific construct places Australia at the very centre of the region, there is certainly some political mileage to be gained from encouraging potential strategic partners—particularly India and Indonesia—to think in such terms.

Convincing New Delhi to buy into the Indo-Pacific construct ought not to be very demanding, in the light of evidence that Indian strategic thinkers are

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[13] Department of the Prime Minister and Cabinet, *Strong and Secure*, p. 30.
[14] See Paul Dibb, 'The Importance of the Inner Arc to Australian Defence Policy and Planning', *Security Challenges*, vol. 8, no. 4 (Summer 2012), pp. 13-31.
[15] Commonwealth of Australia, *Defence White Paper 2013*, para 2.5.
[16] Ibid., para 2.11.

readily embracing the term.[17]   Beyond this, however, achieving broader regional 'buy in' could be problematic. It was interesting to note that at the June 2013 gathering of the Shangri-La Dialogue in Singapore, for instance, Australian Defence Minister Stephan Smith was the only official to use the term while addressing the plenary sessions.[18] Beijing certainly appears less than enamoured by the Indo-Pacific descriptor, perceiving it to be synonymous with America's 'rebalancing' strategy.   Somewhat ironically, Washington's embrace of the term has been less than enthusiastic also, most likely due to the fact, as Michael Green and Andrew Shearer have recently observed, that American leadership in the Indian Ocean does not constitute a core US interest.[19]

The expansion of Australia's strategic focus during a period of growing budgetary pressures could also be problematic. Indeed, unless and until defence funding returns to the aspirational level of 2 percent of GDP stated in the White Paper—an outcome most commentators regard as unlikely for the foreseeable future—a strong case can be made that the expansion of Australia's strategic ambitions into the broader Indo-Pacific risks stretching our already strained resources dangerously thin.

Engaging Southeast Asia

Militating against this latter criticism is the prominence given to Southeast Asia in the 2013 White Paper's depiction of Australia's strategic environment. Southeast Asia is described as being at the "geographic centre" of the emerging Indo-Pacific system, while a number of key institutions led by the Association of Southeast Asian Nations (ASEAN)—the East Asia Summit, the 'ASEAN Defence Ministers Meeting-plus' and the ASEAN Regional Forum—are portrayed as "establishing some of the positive foundations needed for regional security."[20]

Historically, of course, Southeast Asia's strategic geography has been regarded as presenting opportunities and challenges for Australian strategic policy, being both a shield from the great power machinations of Northeast Asia and as a source of potential vulnerability due to the Southeast Asian sub-region's porosity.   Southeast Asian fragility, particularly that of Indonesia, was highlighted in the 2009 White Paper, which observed that

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[17] See, for example, C. Raja Mohan, *Samudra Manthan: Sino-Indian Rivalry in the Indo-Pacific* (Washington D.C.: Carnegie Endowment for International Peace, 2012).
[18] See <www.iiss.org/en/events/shangr-s-la-s-dialogue> [Accessed 9 June 2013].
[19] Michael J. Green and Andrew Shearer, 'Defining U.S. Indian Ocean Strategy', *The Washington Quarterly*, vol. 35, no. 2 (Spring 2012), pp. 175-189.
[20] Commonwealth of Australia, *Defence White Paper 2013,* para 2.7.

> a weak, fragmented Indonesia beset by intractable communal problems, poverty and failing state institutions, would potentially be a source of threat to our own security and to Indonesia's other neighbours.[21]

By contrast, Indonesian strength is emphasised in the 2013 White Paper, which describes Australia's "partnership" with Indonesia as "our most important defence relationship in the region", and includes the judgement that "Indonesia's success as a democracy and its economic growth will see it emerge as one of the world's major economies."[22]

The prominence given to Southeast Asia, particularly to Indonesia, in the 2013 White Paper was, once again, not unexpected. The relatively thin National Security Strategy devotes an entire page to the topic, for instance, and observes that "Maintaining the positive trajectory of that relationship is a priority."[23] Placing such heavy emphasis on Australia's bilateral relationship with Indonesia, whilst simultaneously conceiving of the Southeast Asian sub-region more generally as a critical hinge between the Indian and Pacific Oceans, is not entirely unproblematic. Indonesia's relationship with its Southeast Asian neighbours is a complex one. On the one hand, Indonesia is regarded by many if not most of its neighbours as the natural leader of ASEAN. At the same time, the smaller and medium sized countries of Southeast Asia remain suspicious regarding the potential for rising Indonesia to seek to operate beyond the confines of this organisation. Prominent Indonesian intellectuals such as Rizal Sukma have fuelled these fears by advocating the establishment of a post-ASEAN Indonesian foreign policy.[24]

Jakarta's cultivation of deeper defence ties with Canberra could play further into these apprehensions, potentially complicating Australia's Southeast Asian engagement in the process. Tim Huxley cautioned that

> Canberra should not neglect its other defence relationships in Southeast Asia as these provide crucial depth to regional engagement and also a hedge against any future complications or cooling ties with Jakarta.[25]

The 2013 White Paper is arguably also too optimistic in its depiction of Southeast Asia's strategic environment and, consequentially, the extent to which Australia will be able to continue to deepen its defence engagement with countries in this part of the world. There is an assumption, for example, that the countries of Southeast Asia will adopt an increasingly outward looking posture as the Asian century unfolds. As the 2013 White Paper suggests with reference to Indonesia, for instance, "Indonesia's importance

[21] Commonwealth of Australia, *Defending Australia in the Asia Pacific Century,* para 4.33.
[22] Commonwealth of Australia, *Defence White Paper 2013,* para 6.28.
[23] Commonwealth of Australia, *Strong and Secure*, p. 12.
[24] See Barry Desker, 'Is Indonesia Outgrowing ASEAN?', *PacNet*, no. 46, 8 October 2010.
[25] Tim Huxley, *Australian Defence Engagement with Southeast Asia*, Centre of Gravity Series (Canberra: ANU Strategic and Defence Studies Centre, 2012), p. 4.

to Australia will grow as its significant regional influence becomes global."[26] However, as promising as Indonesia's economic growth rates are presently, it will be some time yet before Jakarta has the capacity to exert significant influence regionally, let alone globally—at least as far as its military is concerned. Benjamin Schreer recently observed that "The Indonesian armed forces are decades away from developing independent capabilities sufficient to protect Jakarta's maritime interests."[27]

Furthermore, a longstanding tradition of non-alignment remains deeply embedded in the Indonesian psyche, which is likely also to serve as a powerful constraint upon ever deepening defence engagement between Canberra and Jakarta. As Huxley goes on to observe:

> Indonesia's strong tradition of non-alignment, rooted in the strong but defensive nationalism that pervades its political culture and manifest in its "independent and active" foreign policy and Jakarta's central role in efforts through ASEAN to build a regional community in Southeast Asia and the broader Asia-Pacific, militates against any form of defence cooperation that might be seen as a proto-alliance.[28]

Similarly strong non-aligned proclivities are a feature of many if not most countries in Southeast Asia. One could even make the case that they are essentially hard-wired onto the 'strategic DNA' of these countries, which in turn offers one possible explanation for the prevalence of the 'hedging' strategies that the vast majority of Southeast Asian governments have evidently adopted in the face of China's rise.[29]

Last but not least, the Australian refocus towards Southeast Asia contained in the 2013 White Paper is also occurring against the backdrop of the Obama administration's 'pivot' or 're-balancing' to the Asia-Pacific. Notwithstanding the continued closeness of the longstanding alliance between Australia and America—a strategic tie which the White Paper describes as "our most important defence relationship"[30]—some care must be taken to differentiate Canberra's 'pivot' from that of its American counterparts. The US 're-balancing' strategy itself has a strong Southeast Asia focus, thus far involving the deployment of Littoral Combat Ships to Singapore, the deepening of strategic ties with Indonesia and Vietnam, and the reinforcing of the US-Philippines alliance, including increased American

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[26] Commonwealth of Australia, *Defence White Paper 2013,* para 6.28.
[27] Benjamin Schreer, 'Walking among giants: Australia and Indonesia between the US and China', *The Strategist*, 24 May 2013, <www.aspistrategist.org.au/walking-among-giants-australia-and-indonesia-between-the-us-and-china/> [Accessed 17 June 2013].
[28] Huxley, *Australian Defence Engagement with Southeast Asia*, p. 3.
[29] See Evelyn Goh, 'Great Powers and Hierarchical Order in Southeast Asia', *International Security*, vol. 32, no. 3 (Winter 2007/08), pp. 113-157.
[30] Commonwealth of Australia, *Defence White Paper 2013,* para 6.8.

port calls to the former US base in Subic Bay and Washington's supplying of Manila with surplus US military equipment.[31]

Product differentiation with the US re-balancing strategy is important for Canberra, particularly in relation to Southeast Asia. For while the alliance undeniably adds to Australia's strategic weight in this region, instances where Canberra has been seen to be mimicking US policy have traditionally not played well in this part of the world. President George W. Bush's 2003 characterization of Australia as the 'deputy sheriff' to America in the Asia-Pacific, along with the Howard Government's echoing of Bush administration rhetoric with suggestions that Canberra would consider pre-emptive strikes against Southeast Asian terrorists in order to prevent a terrorist attack on Australia, serve as cases in point.[32]

Conclusions

These shortcomings notwithstanding, the 2013 White Paper's depiction of Australia's strategic environment has generally been regarded as sound and broadly sustainable. In particular, its treatment of China's rise has been reviewed in far more favourable terms than the 2009 White Paper, which was generally seen as being too alarmist. The treatment of the US-China relationship has been praised for its nuanced approach towards this relationship, and for its assertion that Canberra does not have to choose between these two regional heavyweights.

All of that said, just as the adversarial approach of the 2009 White Paper proved to be its undoing, so too might the considerably more optimistic tone of the 2013 iteration represent a vulnerability. By implying that the cooperative elements of the US-China relationship will ultimately trump its competitive potential, the new White Paper may be underestimating the deepening strategic competition already emerging between China and the United States. By emphasising an Indo-Pacific construct that few other countries are likely to adopt, the new White Paper may be going down a dead-end. Likewise, the optimism of the new White Paper may also be underestimating some of the limits to deeper defence engagement with Indonesia and the Southeast Asian sub-region more generally.

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[31] See Barry Desker, 'The Eagle and the Panda: an Owl's view from Southeast Asia', *Asia Policy*, no. 15 (January 2013), pp. 26-30.
[32] AAP, 'Howard denies Australia has "sheriff" role', *Sydney Morning Herald*, 17 October 2003; Geoffrey Barker, 'PM stands by terror remarks', *Australian Financial Review*, 3 December 2002.

International Defence Engagement:
Potential and Limitations

Michael L'Estrange

The analysis in the 2013 White Paper of international defence engagement highlights the important co-operative activities that Australian Defence Force personnel and Defence officials conduct in, and with, other countries. These activities can create vital synergies for Australia, but their benefits should be neither assumed nor overstated. In particular, they need to be assessed in the broader context of the White Paper's narrative, which is focused primarily on a rationalisation of the gap between the ends and means of defence policy. In that context, the role of Australia's international defence engagement risks being portrayed disproportionately. In the most critical dimension of such engagement, the alliance relationship with the United States, Australia's capacity for burden-sharing and value-adding is diminishing, not expanding. In other forms of international defence engagement, the White Paper's emphases seem designed to compensate for budgetary shortfalls and other deficiencies elsewhere in the policy narrative.

Over recent times, the Australian Government has produced a trilogy of documents on Australia's international engagement and national security interests. In October 2012 the *White Paper on Australia in the Asian Century* was released, followed in 2013 by *A Strategy for Australia's National Security* and the 2013 Defence White Paper. The government views these documents as complementary,[1] and there are important common themes that characterise each document in the trilogy. There is an emphasis on the linkages between Australia's future prosperity and its security, and between Australia's international and domestic policy settings. There is a shared focus on the transformative pace of change in the Indo-Pacific region, and the opportunities and challenges it opens up for Australia. There is also a focus in each of the documents on the shifting balance of wealth and power to, and within, Australia's region. And each also highlights the need for Australian policy to co-ordinate national diplomatic, defence, intelligence, law enforcement, business and people-to-people links in maximising the opportunities and meeting the challenges which 'the Asian century' presents.

There is another characteristic common to each of these documents. It is the failure to match ends with means. There is a reluctance to go beyond declaratory statements of future broad objectives and explain how progress towards those objectives can be achieved in practice through specific domestic reforms, enhanced allocation of resources to priority purposes,

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[1] Commonwealth of Australia, *Defence White Paper 2013* (Canberra, Department of Defence, 2013), para 1.3.

effective outreach and engagement within and beyond the Australian community, and hedging strategies against future contingencies. None of the trilogy documents builds on the foundation of their descriptive analyses to articulate a properly resourced and effectively co-ordinated national plan of action for the short and long term. This deficiency is most apparent in the 2013 Defence White Paper.

Defence Engagement and the Context of the White Paper

Any Australian Defence White Paper, irrespective of the political circumstances in which it is crafted, has the potential to make an important contribution to the national debate on our strategic circumstances, the capabilities needed to meet them and the time-frame for doing so. In this context, the 2013 White Paper makes its own contribution in niche respects rather than in its overall policy coherence. For example, the 'Strategic Outlook' has many elements of common sense. It sets out cogently the challenges that Australian policy faces in the Indian Ocean, in the South Pacific and on a range of particular issues including terrorism and resource constraints as well as technology and cyber security.[2]

Importantly, it also provides a useful corrective to the mistaken notion that Australia faces some defining strategic choice in its relations with the United States and China.[3] The US-China relationship is one characterised by strategic competition as well as co-operation, by interdependent realities as well as independent national capabilities. It is a relationship framed within the context of America's debt and deficits challenges as well as by the rising power and significant fragilities of China. In this context, 'neat' solutions will always be illusory. Strategic options based on containment, or confrontation, or some form of agreed power sharing, or mutually recognised spheres of influence fail to take account adequately of the diversity of interests being pursued by China and the United States. The far more likely future for the US-China relationship is one of uneasy rivalry co-existing with self-interested co-operation and adapting to evolving circumstances. The White Paper captures this strategic reality in a compelling way.

For all its niche merits, however, the White Paper is ultimately unconvincing as a policy document because of its failure to deliver means that match ends, and resources that are required for capabilities. It has been accurately described as a "manifestly underfunded plan".[4] The rationalisation for this underfunding is built on three critical foundations in the White Paper: its interpretation of Australia's strategic circumstances and outlook; its capability and force structure planning; and its emphasis on international Defence engagement. All three aspects are critically important for Australian

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[2] Ibid., paras 2.42-45, 2.52-57, 2.70-71 and 2.82-90.
[3] Ibid., para 2.28.
[4] Mark Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2013-14* (Canberra: Australian Strategic Policy Institute 2013), p. viii.

interests. On each of them White Paper adds some important value. But, in the end, its direction-setting in relation to these three areas is tailored to the priority of the broader policy narrative that dominates it.

First, the analysis in the 2013 White Paper of Australia's security environment is mostly deft and astute. But it is too benignly interpreted in the context of the broader policy framework. It identifies key driving forces of strategic change in the Indo-Pacific region such as changing geopolitical relativities among the major powers, military modernisation, resource insecurity, rising nationalism, nuclear brinkmanship and other challenges. It is less insightful, however, in its assessment of the consequences for Australian interests of these dynamics of strategic change. The White Paper is less than forthcoming, for example, on the ways in which the rising regional defence capabilities it describes (or alludes to) could detract from Australia's strategic interests rather than enhance them. That strategic deficit for Australia could result from a diminished technology gap in our weapons systems, new partnerships of security co-operation in our neighbourhood that are contrary to our interests, or new operational doctrines in one or more regional states that challenge the status quo in a destabilising way.

The White Paper refers to "finding the right balance between capability and risk within resources".[5] It is the resourcing issue, however, which seems disproportionately to frame the management of risk and shape the acquisition of capability. This results in an imbalance rather than 'the right balance'. It is entirely plausible to take the White Paper's strategic analysis and to draw fundamentally different conclusions about its consequences for Australian defence policy to those that the document sets out.

The White Paper describes a range of strategic uncertainties and risks in Australia's region. They include new strategic power relationships in the Indo-Pacific region; the flashpoints on the Korean Peninsula, the Taiwan Strait, and the East and South China Seas; a range of territorial and maritime disputes; regional military modernisation; instabilities in Pacific Island states; the proliferation of weapons; terrorist activities; the consequences of resource insecurity; and the quest for cyber security. All these and other uncertainties and risks more logically justify, in their own right, a significant increase in the defence budget to fund properly the capabilities that the White Paper espouses. These strategic uncertainties and risks should also more logically generate a far greater sense of urgency in the shaping of Australia's defence priorities than is evident in the document, for which neither appropriate resourcing nor a sense of urgency is a watchword. Furthermore, the extension of Australia's direct strategic focus across an area as expansive and diverse as the 'Indo-Pacific' creates its own additional strategic complexities and resourcing needs.

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[5] Commonwealth of Australia, *Defence White Paper 2013*, para 5.9

The White Paper, however, draws a very different conclusion from the strategic analysis it presents. It is one that is more benign and more easily able to rationalise the delays into an indefinite future of capability acquisitions that the White Paper itself endorses. That particular conclusion is flawed.

The White Paper fails at a second level. At the heart of any Defence White Paper is the necessity of choice—particularly choices about capabilities appropriate to the strategic outlook, about the balance between force preparedness, posture and operations, and about levels of overall defence funding.[6] Of the 660 paragraphs that constitute the 2013 White Paper, only 17 are focused on the defence budget.[7] That part of the White Paper commits to "increasing Defence funding towards a target of 2 per cent of GDP" but it insists that this is "a long-term objective that will be implemented in an economically responsible manner as and when fiscal circumstances allow".[8] In other words, the White Paper makes a choice that Australia's strategic circumstances and outlook do not currently warrant measures designed to accelerate, in any serious way, progress towards the benchmark it sets for itself. It emphasises that such movement would only be countenanced "when fiscal circumstances allow".[9]

The 2013-14 Australian Budget, brought down less than two weeks after the White Paper, increased the Defence budget from its post-1938 low in terms of share of GDP in 2012-13. But even on the Budget's own figures, the Defence share of GDP will remain below 1.7 per cent for the next decade.[10] Furthermore, as events over recent years have shown, the prospect of promised funding being actively delivered is highly vulnerable to the uncertainties of financial projections, to broader fiscal pressures in the national budget and to the all-too-often irresistible temptation to relieve those pressures by significant cuts to Defence.

As a consequence of the strategic conclusions reached in the 2013 White Paper and the resourcing of Defence assets and capabilities that derives from it, the correlation between ends and means is unrealistically protracted and disconcertingly imprecise. The White Paper thus embodies an alignment of strategic guidance, operational planning, engagement, preparedness, capability development and resource allocation that is, at best, forced and artificial. Beyond the artifice, the reality is one of inconsistency and impracticality, with promises of capabilities and assets but quite inadequate resourcing to enable them to be acquired.

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[6] Ibid., para 1.6.
[7] Ibid., Chapter 7.
[8] Ibid., para 7.17
[9] Ibid.
[10] Thomson, *The Cost of Defence* p. vi.

It is in this context that the contextualisation in the White Paper of Defence's international engagement needs to be analysed. Australia's international defence engagement is not new. As the White Paper points out, this engagement has supported security in our region for many decades.[11] It usefully depicts the broad scope of Australian activities encompassed by the term 'international Defence engagement'. Those activities include defence co-operation programs, strategic dialogues, joint training, specialised exchanges, industry partnerships and capacity-building. They involve humanitarian assistance, disaster relief, peacekeeping and involvement in other specific multinational operations. They also embrace the role of 'Defence diplomacy' (particularly through bodies such as the ASEAN Defence Ministers Plus, the ASEAN Regional Forum and other groupings) as well as the work of Australian Defence attaches overseas.

Across this broad spectrum of activities, Defence needs to work seamlessly with other Australian departments and agencies and with the wider Australian community. The fact is that building deeper levels of trust and confidence with regional countries is a whole-of-nation responsibility. Defence's international engagement, therefore, needs to be closely co-ordinated with Australia's aid program, our official and public diplomacy, our professional and community links, our business connections, our cultural exchanges, our training and our educational associations and many other interactions. This co-ordination demands particularly close working relations between Defence and other agencies of government, especially the Department of Foreign Affairs and Trade, AusAID and the Australian Federal Police. Such co-ordination was epitomised over recent years in relation to Australian whole-of-government activities in the Solomon Islands and East Timor, and in an earlier phase, on Bougainville.

The White Paper rightly emphasises that building trust and partnerships on defence and security issues is a "non-discretionary responsibility"[12] and that Defence international engagement is "a strategic necessity and a strategic asset".[13] This is a theme consistently emphasised in the *Australia in the Asian Century* White Paper and in the *National Security Strategy*. The Asian Century White Paper asserts that Australia's regional policy "will be shaped by the broad objective of building trust" involving "deeper understanding, greater transparency, clear communications, more effective and reliable rules and dependable markets". It notes that this building of trust needs to be "across governments and societies", to involve "reliable and practical habits of co-operation" and encompass increased "levels of understanding among people".[14] It also argues that as regional countries modernise their

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[11] Commonwealth of Australia, *Defence White Paper 2013*, para 6.2.
[12] Ibid., para 3.7.
[13] Ibid., para 6.7.
[14] Commonwealth of Australia, *Australia in the Asian Century* (Canberra: Department of Prime Minister and Cabinet, 2012), p. 229.

defence forces, more opportunities will be created for Australia to build deeper security linkages.[15] The *National Security Strategy* reinforces these emphases by identifying, as one of three key priorities over the next five years in national security policymaking, the goal of "enhanced regional engagement in support of security and prosperity in the Asian century".[16]

The active involvement of the Australian Defence Force (ADF) and Defence officials in outreach and co-operative activities with Defence organisations in other countries, as well as with multilateral groupings, plays a vital role at many levels. It can deepen understanding of mutual perspectives on the role and use of military force to achieve political and strategic objectives. It can further strengthen alliance relationships and it can expand important common ground with other security partners. It can build vital connections on which to draw in times of crisis and tension. It can reduce the potential for miscalculation and misunderstanding. It can expand the scope for joint initiatives in tactical and strategic areas of interest. It can provide a means for addressing differences and disagreements in a direct way.   It can contribute significantly to greater transparency about military budgets and capabilities. And it can facilitate broader dialogue on the global and regional security environment among serving Defence personnel and officials. Over the period ahead, defence international engagement will also be increasingly important for the advancement of Australian strategic interests, particularly in the Indo-Pacific region, because "competition for access and influence will be greater, and consideration of Australia's interests and views less assured".[17]

These are very significant advantages that can accrue from Defence's international engagement and outreach. However, they need to be seen in perspective. The most important currency of the ADF will always be its capacity to exert hard power, not soft power. Defence diplomacy and international engagement are adjuncts to clear-eyed strategic risk assessment and appropriately calibrated and implemented force structure planning. A focus on the former cannot compensate for deficiencies in relation to the latter. There is no strategic alchemy that can reverse that reality. The relevance of "building defence and military relationships within the region"[18] is not in question. What is questionable is the extent to which the White Paper understates the challenges of effective alliance burden-sharing (particularly with the United States) and overstates the potential benefits for Australian security from more intensive engagement with regional countries.

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[15] Ibid., p. 230
[16] Commonwealth of Australia, *Strong and Secure: A Strategy for Australia's National Security* Canberra: Department of the Prime Minister and Cabinet, 2013), p. 37.
[17] Commonwealth of Australia, *Defence White Paper 2013,,* para 6.4.
[18] Ibid., para 2.12.

The White Paper asserts that military modernisation and rising defence expenditures in the Indo-Pacific region present "significant new opportunities for partnering with other nations' defence and military organisations". It also warns that such modernisation and expenditures raise "the levels of capability required by the ADF to maintain the edge that has historically underpinned the defence of our continent with a comparatively small population".[19] One of the weaknesses of the White Paper is that it exaggerates the significance of "new opportunities" for security partnerships with regional countries at the same time as it fails to address the scale of the challenge of maintaining "the edge" in our defence capabilities.

It is also argued that reduced ADF operations overseas in the period ahead will present new opportunities for Defence engagement and co-operation with partner countries. Those opportunities certainly exist; they are important; and they will be facilitated by funding increases in Defence Co-operation Programs (DCPs), particularly with Papua New Guinea and the wider South Pacific, that were announced in the 2013-14 Budget. The DCPs, however, are a means to an end, not an end in themselves; and that end is to complement the central capabilities and assets of Australia's defence strategy, not to be some kind of substitute for them. The funding of DCPs also needs to be seen in context. They constitute a relatively small part of the overall Defence budget and this year's foreshadowed DCP increases are off relatively low bases.

International Defence Engagement: The US Alliance

The 2013 White Paper rightly highlights the alliance relationship with the United States as a focal point for Australian international Defence engagement.[20] It addresses the broad spectrum of such engagement including warfighting, training and exercising, intelligence co-operation, capability development, defence technology, space and communications, the joint facilities in Australia, aspects of the US 're-balance' to Asia and high-level dialogues involving Ministers and officials. It focuses, in particular, on new areas of bilateral co-operation opened up by the US strategic 'rebalance' to the Asia-Pacific region, by the rotation of US Marines through northern Australia, and by new defence space and communications activities.

All these dimensions of Defence engagement with the United States are fundamentally important for the advancement of Australia's strategic interests. They need to be further deepened and broadened in the future as the alliance evolves and responds to changing regional and global security developments.

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[19] Ibid., para 2.46.
[20] Ibid., paras 6.8-26.

There is an important dimension, however, of Australian Defence engagement with the United States that the 2013 White Paper does not address—namely, the constraints on alliance co-operation that are resulting from the levels of Australian Defence resourcing, and that are set to intensify in the future. As the uncertainties and complexities of the security outlook in the Indo-Pacific region grow, and as the debt and deficit challenges that the United States needs to address become more pressing, American expectations of allies and security partners are increasing. In particular, an old term—'alliance burden-sharing'—is acquiring a renewed resonance in US policy. What seems clear is that the benchmarks for alliance management on the part of the United States are changing, that burden-sharing will be more carefully assessed and that the value-adding contributions of allies and security partners will be expected to be greater into the future than in the recent past.

Australia's alliance with the United States is not immune from these changing realities. The 2013 White Paper covers the range of co-operative Defence activities that Australia currently conducts with the United States. Its analysis, in this respect, is limited to being descriptive. It is not forward-looking in the sense of acknowledging the changing American parameters for alliance management and realistically calibrating the capacity of Defence capabilities to be a critical part of Australia's responsiveness to those changes. The fact is that the scope for meaningful alliance burden-sharing with the United States is diminishing, not expanding, because of Australia's resource allocation decisions and increasingly niche capabilities.

It is sometimes argued that Australia would contribute more effectively to the US alliance through niche capabilities (such as those directed at discrete irregular threats) rather than through capabilities aimed at the middle to upper end of the operational spectrum. This argument takes inadequate account of the Australian national interest in having an ADF capable of responding to a range of contingencies that may threaten specific Australian interests in different ways at different times. Moreover, it is an argument that is increasingly inconsistent with the requirements of twenty-first century management of the US-Australia alliance. That management cannot effectively be carried out on the cheap nor restricted to a highly selective and narrowly self-serving range of low-level contingencies.

The White Paper asserts that

> Australia's defence policy is founded on the principle of self-reliance in deterring or defeating armed attacks on Australia within the context of our Alliance with the United States and our cooperation with regional partners.[21]

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[21] Ibid., para 3.36.

The reality, however, is that Australian defence "self-reliance" in this context is becoming worryingly minimalist. Different parts of the White Paper appear to go in different directions. One part states that Australia

> would seek and expect help from our friends if Australia came under direct attack. But we should not rely on the combat forces of others to defend Australia.[22]

Another part notes that

> if Australia were threatened by a major power with military capabilities beyond our capacity to deter or defend, we would depend on direct support from allied combat forces.[23]

The White Paper asserts that it is "realistic about the limits to self-reliance".[24] The way in which this realism is conveyed, however, reflects either fuzzy thinking or lack of clarity in its explanation, or both. Invocations of "self-reliance" are easy to make but hard to reflect in practice. Definitions can become narrowly self-serving. There is the real risk of a dangerous spiral into hollow nationalism in which proud assertions of the scope of Australian self-reliance are made but in which the resource allocations to back them up are missing. That risk comes closer with the 2013 White Paper.

Australia's alliance relationship with the United States is the single most important element of our international Defence engagement. It is, therefore, a lost opportunity for the White Paper to limit itself to a general description of past and current forms of that bilateral engagement, and not to address the implications for the alliance of America's rising expectations and the realistic capacity for Australian Defence assets to respond appropriately.

International Defence Engagement: Major Regional Powers

The assessment in the White Paper of Australia's Defence engagement with Japan[25] is similarly limited to a description of the status quo, and similarly silent in terms of realities that constrain future engagement. Australia's security ties with Japan have developed significantly and highly productively for both countries over the past decade. This is reflected in the extent of strategic dialogues, diplomatic co-operation and practical joint defence activities. It is also reflected in trilateral exchanges involving the United States. This broadening scope of Australia-Japan defence engagement has been an important bilateral and regional development which needs to be further consolidated over coming years. It would have been useful for the White Paper to give some sense of the ways in which that consolidation is being planned and other options that are worth exploring. It would also have

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[22] Ibid.
[23] Ibid., para 3.38.
[24] Ibid., para 3.37.
[25] Ibid., paras 6.39-42.

been realistic for the document to encompass the practical limitations on the scope of such future bilateral co-operation including domestic political and constitutional realities in Japan, the priorities for Japan's national security policymaking under the Abe Government, relevant implications for Australia's relationships with the United States and China, and the views of Australia's regional neighbours on any expanding agenda for Australia-Japan security co-operation.

The 2013 White Paper puts Australia's Defence engagement with China firmly in the context of the bilateral 'strategic partnership' that Prime Minister Gillard announced during her April 2013 visit to Beijing.[26]   There is a commitment to "developing strong and positive defence relations with China through dialogue and appropriate practical activities",[27] and in particular through the Australia-China Defence Engagement Action Plan.[28]   Closer security linkages within China have important potential for Australian interests in terms of political and professional linkages, insights into strategic doctrines and threat perceptions, and joint training activities.   But the constraints are equally real.   They are constraints that are a product of China's strategic priorities derived from its historical experience, its contemporary interests and its future aspirations.   There are also constraints resulting from Australia's own broader regional and global interests, China's lack of transparency on military issues, its strategies for enhanced regional and global influence, and the priorities of Australia's alliance relationship with the United States.   In addition, there is also the potential constraint of China's own perceptions of Australia's emphasis on international (and particularly Indo-Pacific) defence co-operation.   China may need to be reassured that this is not part of a longer-term hedging strategy against China itself, and China's own responsiveness to that engagement may therefore depend on the reassurances it receives.

The White Paper addresses specifically the importance of Australia's defence engagement with India.[29]   It focuses on the vital shared strategic interests we have in open sea lines of communication (particularly in the Indian Ocean).   What is lacking, however, is both a future agenda for taking this bilateral engagement forward and a strategy for addressing constraints on it that include India's priority focus on developments in South Asia.

Other Bilateral and Multilateral Partnerships

The 2013 White Paper rightly emphasises that "Australia's strong partnership with Indonesia remains our most important strategic relationship"[30] and that it is "our most important defence relationship in the

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[26] Ibid., para 6.43.
[27] Ibid., para 6.44.
[28] Ibid., para 6.47.
[29] Ibid., paras 6.66-68.
[30] Ibid., para 2.32.

region".[31]   It highlights the foundation of Australia-Indonesia defence co-operation provided by the 2012 Defence Cooperation Arrangement and the 2006 Lombok Treaty, and it points to the practical program of military, counter-terrorism, peacekeeping, humanitarian assistance and disaster relief co-operation pursued within those frameworks.

Indonesia is a critical security and diplomatic partner for Australia, and its significance will only grow. However, in terms of a fully-fledged bilateral defence partnership, that adds real weight in terms of interoperability, shared strategic doctrines and common strategic objectives, the aspirations outlined in very general terms in the White Paper are a long-term prospect at best, more than a short or even medium-term one. As progress is hopefully made to that long-term prospect, there are a range of mutually beneficial outcomes that will be derived. But progress is likely to be incremental and subject to uncertainties in the broader bilateral relationship.

The White Paper also outlines a range of past and current Defence engagement activities with regional countries—Singapore, Malaysia, the Philippines and Thailand, Vietnam, Brunei, Cambodia and Laos, the Republic of Korea, New Zealand and the Pacific Island states.[32]   These are all important security relationships but with varying levels of intensity and (for different reasons) with limited scope for decisive expansion, in the short-term at least.

The focus on the South Pacific is particularly relevant given Australia's ongoing responsibilities and involvement in the region, and in the context of the new opportunities for Defence engagement there (particularly in relation to regional confidence-building initiatives as well as humanitarian assistance and disaster relief operations) which will be opened up by Australia's acquisition of assets such as large amphibious vessels. Such engagement will enhance the potential for Australian defence diplomacy in the South Pacific to play an expanding regional role. Even in this particular theatre of operations, however, the capacities foreshadowed elsewhere in the White Paper create their own constraints on Australia's engagement with Pacific Island countries. There is a lack of correlation between the stabilisation role to which the White Paper aspires,[33] and the availability of Defence and other personnel (particularly if more than one South Pacific contingency occurs at the same time).

In addition, the White Paper also provides details on Australia's defence engagement with countries beyond our immediate neighbourhood such as Pakistan, Afghanistan, the United Kingdom, Spain and Canada, and with multilateral groupings such as the East Asian Summit, the ASEAN Regional

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[31] Ibid., para 6.28.
[32] Ibid., paras 6.31-36, 6.48-63.
[33] Ibid., para 3.13-14.

Forum, the ASEAN Defence Ministers Plus meeting, the EU, NATO and the United Nations.[34] The scope of this extensive analysis reflects the increased emphasis it seeks to give to international Defence engagement across the board. However, for all the intensity of that focus, the emphasis in the White Paper is far more on a description of past and contemporary circumstances than it is on the future. It raises expectations about future international engagement but sheds little light on how those expectations will be realised in practice, and how specific constraints are going to be addressed.

Conclusion

Australia's international defence engagement is an important part of any coherent defence policy. It has been in the past, and the White Paper is right to focus on it. But the broader policy context in which it is set is critical. International defence engagement only works most effectively for Australia when it complements a broader defence policy based on a realistic assessment of strategic risk, a clear set of national defence objectives, a range of capabilities to advance them and a commitment of funds, short-term and longer-term, to enable such an outcome. The aspirations in the White Paper for Australia's international defence engagement will continue to be elusive until these pre-conditions are met.

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[34] Ibid., paras 6.69-70, 6.74-76, 6.37, 6.78-82.

Business as Usual? The 2013 Defence White Paper and the US Alliance

Benjamin Schreer

The 2013 White Paper reaffirms the centrality of the US Alliance for Australia. It identifies a number of concrete areas for future cooperation and provides the foundation for developing greater strategic ties with China while remaining firmly anchored in the US camp. It is less clear, however, when it comes to Australia's future contribution to burden-sharing within the Alliance. Putting actions behind the goal to play a greater role in Southeast Asia will be an important litmus test for the alliance relationship. In many ways, the White Paper reflects a phase of re-orientation in the Alliance: away from operations further afield towards the increasing security dynamics in Australia's own region. As the future of China's trajectory—and US-Sino strategic relations—is still very much uncertain, the 'hedging' approach taken White Paper's approach makes sense. What happens if US-Sino strategic relations become more competitive is left to another day.

Shifts in the global and regional strategic posture of Australia's main ally, the United States, have been one of the key triggers for producing the new Defence White Paper. As Defence Minister Stephen Smith explains in the foreword, America's 'rebalance' towards the 'Indo-Pacific' region has been among the major developments influencing "Australia's national security and defence setting." The White Paper also had to account for the "substantially enhanced defence cooperation with the United States."[1] The Minister was referring to the Gillard Government's offer during US-President Barack Obama's visit in November 2011 to host US Marines and US Air Force contingents for rotational deployments in Northern Australia.

The US rebalance raises a number of critical issues for the US Alliance. At the core is the future of US-Sino strategic relations. China's rapid military modernisation and apparent ambition to challenge US military primacy in Asia led America's allies and partners, including Australia, to seek reassurances from Washington about its ongoing commitment to underwrite regional security. It also created a fierce debate about Australia's future strategic choices: could and should Australia's strategic policy remain closely aligned with the United Stated in the face of rising China?[2]

This question is intimately tied to the future of burden-sharing within the Alliance. As the US military directs greater attention towards the 'Indo-Pacific' region, Washington expects allies to step up and provide more

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[1] Commonwealth of Australia, *Defence White Paper 2013* (Canberra: Department of Defence, 2013), p. ix.
[2] See for example Hugh White, *Power Shift: Australia's Future Between Washington and Beijing*, Quarterly Essay, no. 39 (Collingwood: Black Inc., 2010).

support. A greater role for allies such as Australia is necessitated by at least two reasons. First, as China's military capabilities increasingly pose a risk to major US land bases in Northeast Asia, America needs to diversify its strategic posture in Asia. This includes using the strategic depth provided by Australia's geostrategic location.[3] Second, the US defence budget has come under increased pressure in the wake of the global financial crisis, and the 2013 White Paper notes that the Pentagon has to find savings of at least US$487 billion. Unsurprisingly, the United States expects allies to provide more for their own defence.

Thus, the 2013 White Paper was expected to provide some answers as to Australia's response to the US 'rebalance' and its preparedness to share greater defence responsibilities in a potentially more competitive Asia.

ANZUS' Growing Importance

To start with the relative importance of ANZUS for Australia's defence policy: Like previous documents, the 2013 White Paper makes it clear that the alliance is Australia "most important defence relationship and…a pillar of Australia's strategic and security arrangements." It is also still regarded as indispensable in terms of "access to capabilities, intelligence and capacity that we could not generate on our own."[4] Further, the document stresses that it is

> unambiguously in Australia's national interest for the United States to be active and engaged in our region as economic, political and military influence shifts towards it.[5]

Other statements also sound like business as usual. This includes the argument that US extended deterrence in Asia has "provided a stable security environment underpinning regional prosperity", as well as the continued reliance on US nuclear extended deterrence:

> As long as nuclear weapons exist, we rely on the nuclear forces of the United States to deter nuclear attack on Australia. Australia is confident in the continuing viability of extended nuclear deterrence under the Alliance.[6]

However, the 2013 White Paper also indicates that the US alliance might become even more important for Australia in the future. Unlike its 2009 predecessor, it is very clear about the limitations of Australia's long-standing policy of 'defence self-reliance'. The 2009 White Paper stressed that Australia's defence policy should "continue to be founded on the principle of self-reliance in the direct defence of Australia", including a need to be able to

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[3] Benjamin Schreer, *Planning the Unthinkable War: 'AirSea Battle' and its implications for Australia* (Canberra: Australian Strategic Policy Institute, 2013).
[4] Commonwealth of Australia, *Defence White Paper 2013*, para 6.8.
[5] Ibid., para 6.10.
[6] Ibid., para 2.21.

"act independently".[7] In contrast, the 2013 White Paper not only argues that the "principle of self-reliance" operates "within the context of our Alliance with the United States and our cooperation with regional partners."[8] It also goes on to concede that "our defence policy is realistic about the limits of self-reliance. Australia continues to rely on significant support from the United States."[9] Even more, it is refreshingly realistic about what has been obvious to most analysts for quite some time:

> If Australia were threatened by a major military power with military capabilities beyond our capacity to deter or defeat, we would depend on direct support from allied combat forces. We would, however, still seek to defend ourselves to the greatest extent possible, aware that it is very unlikely that a major power would attack Australia without entering into conflict with the United States and other regional states.[10]

In other words, defence self-reliance is not achievable in the face of future major power conflict in Asia, and in such a scenario Australia's security depends even more on its American ally.

As a result, the 2013 White Paper promises to intensify practical cooperation with the United States. Accordingly, Australia will "seek opportunities to strengthen interoperability" and "acquire and sustain interoperable and complementary capabilities."[11] Cooperation with the US Pacific Command will be increased through the two force posture initiatives, the US Marines rotational deployments through Darwin and enhanced aircraft and naval cooperation. Moreover, the White Paper announced the upgrading of airbases on Cocos Islands for maritime surveillance operations and RAAF bases Tindal and Learmonth, which could potentially be used by the United States in the future. It also confirms a joint study to "explore opportunities in the long-term for enhanced cooperation with the US Navy at a range of locations in Australia."[12] Finally, the White Paper announces increased cooperation on space, including the establishment of a jointly-operated US C-Band space surveillance radar at the Harold E. Holt Naval Communication Station in Western Australia.

Hedging Against China's Rise

In the run-up to the 2013 White Paper there was a growing expectation that the new document would strike a more conciliatory tone towards China. The Chinese government had made it very clear that it perceived the US 'pivot' as a policy designed to counter China's rise. Further, the 2009 White Paper had been criticised for its allegedly harsh wording on the potentially negative

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[7] Commonwealth of Australia, *Defending Australia in the Asia-Pacific Century: Force 2030* (Canberra: Commonwealth of Australia, 2009), paras 6.16-17.
[8] Commonwealth of Australia, *Defence White Paper 2013*, para 3.36.
[9] Ibid., para 3.37.
[10] Ibid., para 3.38.
[11] Ibid., para 4.40.
[12] Ibid.. para 2.25.

consequences of Beijing's military modernisation. At the time, the White Paper triggered heavy Chinese criticism.[13] This was later fuelled by media reports suggesting that it contained a classified section discussing how the Australian Defence Force (ADF) would participate in a war with China.[14]

While the 2009 White Paper had expected that "US strategic primacy" would prevail "over the period to 2030",[15] it stressed that China's ongoing military modernisation could become a source of regional instability:

> A major power of China's stature can be expected to develop a globally significant military capability befitting its size. But the pace, scope and structure of China's military modernisation have the potential to give its neighbours cause for concern if not carefully explained, and if China does not reach out to others to build confidence regarding its military plans.[16]

Although far less bellicose than the current strategic narrative on the 2009 White Paper makes us believe, this paragraph underlines that the Rudd Government was on the same page with the United States when it came to the key strategic challenge posed by China. The paper also gave the impression that the government took security developments in East Asia very seriously and was prepared to play a security role there. It identified Japan as a "critical strategic partner in our region"[17] and placed the "wider Asia-Pacific region", including the relationships with Japan, China, South Korea and India, right after the US alliance when discussing 'Alliances and International Defence Relationships'.

How does the 2013 White Paper compare? While the language is indeed somewhat more conciliatory, there is less than meets the eye in terms of real change. For the first time, a White Paper contains a subchapter on the 'United States and China'. This demonstrates the single importance of this relationship for Australia's security and the broader region. The paper is optimistic seeing the

> most likely future as one in which the United States and China are able to maintain a constructive relationship encompassing both competition and cooperation.[18]

This is in line with current US Government thinking, even so the future might be more bleak. There is still ample opportunity to integrate China in an evolving Asian security order. No Australian Government has anything to gain from reaching a different assessment at this point in history.

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[13] Philip Dorling and Richard Barker, 'China's fury at defence paper', *Sydney Morning Herald*, 10 December 2010.

[14] Brendan Nicholson, 'Secret 'war' with China uncovered', *The Australian*, 2 June 2012.

[15] Commonwealth of Australia, *Defending Australia in the Asia-Pacific Century*, para 4.14

[16] Ibid., para 4.26.

[17] Ibid., para 11.13.

[18] Commonwealth of Australia, *Defence White Paper 2013*, para 2.19.

Against this background, the White Paper assumes that the

> Government does not believe that Australia must choose between its longstanding Alliance with the United States and its expanding relationship with China

and that it does "not approach China as an adversary."[19]   Analysts might debate whether at some stage an Australian Government would have to make such a choice. But reading the document, particularly in regards to the continued central importance of ANZUS, one is left with the implicit message that Australia has already chosen when it comes to its strategic policy: it will always side with the United States in case of a major power conflict in Asia. There needs to be no official announcement of a choice in a White Paper to underscore this central truth.

Moreover, the language makes it clear that the ball is still in China's field when it comes to potentially negative implications of the modernisation of the People's Liberation Army (PLA). While the White Paper describes Beijing's growing defence capabilities as a "natural and legitimate outcome of its economic growth", it also makes it clear that this development will "inevitably affect the strategic calculations and posture of regional countries and is changing the balance of power in the western Pacific."[20]   It also highlights that China's rise is "being felt in Southeast Asia" and that "[m]any states are concerned by rising regional tensions since 2009."[21]

The White Paper therefore reflects a classic 'hedging' approach through a slightly different way of saying that China's military power remains a source of concern, without raising too much alarm in Beijing. Moreover, in a different section the 2013 White Paper makes more or less clear that the ADF might come into direct conflict with the PLA in Southeast Asia. Discussing the ADF's future tasks, it states that operations "may include assisting Southeast Asian partners with external challenges and meeting our Alliance commitments to the United States."[22]

It is difficult to think of any future US military conflict in Southeast Asia that would not involve China.   The reference to 'external challenges' for Southeast Asian countries is also implicitly pointing at China.   Finally, the White Paper recognises that the 'rebalance' comes with shifts in US "force structure, investments in technology and weapon systems, and operational plans and tactics."[23]   This includes the Pentagon's emerging 'Air-Sea Battle' concept, which is very much about readjusting US deterrent posture in the face of a modernising PLA. Australia is expected to play a key role in its

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[19] Ibid., para 2.28.
[20] Ibid., para 2.29.
[21] Ibid., para 2.30.
[22] Ibid., para 3.54.
[23] Ibid., para 2.26.

implementation,[24] and the White Paper's announcement to move forward on the force posture initiatives and to further strengthen interoperability with the US Pacific Command shows that steps are undertaken in this direction.

Thus, while the wording in the new White Paper is less hawkish towards China than in 2009, there is no doubt that Australian defence policy remains close to the United States when it comes to most significant challenge facing the alliance.

Burden-Sharing Light?

The new White Paper is however less clear about the future of allied burden-sharing. As outlined at the beginning, for the United States the 'rebalance' was meant as a signal to allies to increase joint defence efforts. The 2013 White Paper sends mixed messages in this regard.

When it comes to defence capabilities, the United States will be pleased to read that the Government "remains committed to delivering the core capabilities identified in the 2009 White Paper."[25] The ADF is to be more capable in undersea warfare; anti-submarine warfare; surface maritime warfare; air superiority; strategic strike; special forces; intelligence, surveillance and reconnaissance; and cyber security. If implemented, this would indeed create a more capable defence force. Further, while the White Paper states that the ADF would be optimised for operations in the South Pacific and in Southeast Asia, the reality is that Australia's actual force structure has always reflected an ambition to operate alongside US forces, wherever necessary.

However, in no uncertain terms the White Paper makes also clear that Australian defence policy operates in a changing fiscal environment. In other words, the ADF has to contribute its share in an effort to get the federal budget back to surplus. Despite the government's intentions to save the 2009 force structure construct, it is quite clear that unless the defence budget is experiencing steady growth in the coming years, any future government simply will not have enough money to pay for all the 'core capabilities'.[26] As a result, the ADF might end up as a less capable force, and the White Paper left it to the next government to make some tough decisions on the future force structure. Behind closed doors, US officials are reportedly not amused about the prospect of stagnating Australian defence spending at a time of American re-engagement in Asia.[27]

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[24] Schreer, *Planning the Unthinkable War*.
[25] Commonwealth of Australia, *Defence White Paper 2013*, para 1.22.
[26] Mark Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2013-2014* (Canberra: Australian Strategic Policy Institute, 2013).
[27] Peter Hartcher, 'US alarm at defence budget cuts', *Sydney Morning Herald*, November 10, 2012.

In addition, the United States might wonder where Australia is indeed willing to play a greater role. The government's rhetoric to 'refocus' on Australia's 'own region' indicated a reduced level of ambition. Therefore, the White Paper reflects a different assessment on Australia's engagement in East Asia. While it mentions the 'flashpoints' in that region, Japan is no longer identified as a 'critical strategic partner', and the chapter on 'Alliances and International Defence Relationships' now places North Asia after Southeast Asia. However, not only would the US expect its Australian ally to support it in the case of conflict. Clearly, China's rise is also not only "felt" in Southeast Asia. In fact, tensions in East Asia between China and its neighbours are potentially much more dangerous. A more self-confident PLA is testing Japanese and US resolve in the East Sea, as demonstrated in the dispute over the Senkaku/Diaoyu Islands. Taiwan is deeply concerned about the changing military balance in the Straits.[28] And even South Korea is increasingly suspicious about China's strategic intentions. However, the White Paper merely states that Australia "wishes to see a peaceful regional strategic order with deeper understanding, clearer communication, and more effective and reliable rules."[29]

When it comes to Southeast Asia, the White Paper reflects an ambition to play a greater role. Apart from aforementioned reference to "assisting Southeast Asian partners with external challenges", the paper notes that in the "Indo-Pacific, particularly Southeast Asia, the ADF needs to be prepared to play a role in keeping the sea lanes secure."[30] It also vows to make "substantial contributions if necessary"[31] which could come through the deployment of "joint task forces in the Indo-Pacific region."[32] However, it remains to be seen if the ADF will indeed play a greater role in Southeast Asia. The White Paper is not clear on how exactly to achieve deepening defence engagement with the region. Partly, success of future initiatives will depend on the willingness of future Australian governments to spend resources. But it will also depend on whether Southeast Asian countries would want to see Australia as an external actor playing a greater role in regional security, and be contingent upon the degree to which Australia and the United States can harmonise their respective approaches to regional defence engagement.

Finally, the White Paper aims for Australia to "continue to play a leading role in assisting South Pacific states and Timor-Leste"[33] to improve their governance and security; including through an "enduring joint amphibious

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[28] Sheryn Lee and Benjamin Schreer, 'The Taiwan Strait: Still Dangerous', *Survival*, vol. 55, no. 3 (June-July 2013), pp. 55-62.
[29] Commonwealth of Australia, *Defence White Paper 2013*, para 2.31.
[30] Ibid., para 3.15.
[31] Ibid., para 3.54.
[32] Ibid., para 3.42.
[33] Ibdi., para 3.14.

presence".[34]   Such a presence would certainly be useful as a tool for regional defence diplomacy and assisting in disaster relief. However, it is not clear that a 'joint amphibious presence' alone would enable the ADF to make a lasting impact in the South Pacific. Apart from developing a truly amphibious culture within Army and Navy, it would require more deployable land forces specialised for peace-keeping operations; a rather unlikely prospect for an Army still focussing on fighting a 'peer competitor'. Moreover, while the United States would certainly expect and welcome Australia's 'ownership' of security problems in the South Pacific, ultimately it will judge the value of Australia as an ally primarily by its willingness to engage in parts of the Indo-Pacific which are arguably of much greater strategic importance to the region as a whole.

Hedging Makes Sense…For Now

The 2013 White Paper reaffirms the centrality of the US Alliance for Australia. It also identifies a number of specific areas for future cooperation to support America's rebalance to Asia. Moreover, it provides the foundation for developing greater strategic ties with China while remaining firmly anchored in the US camp. It reflects a view of the alliance similar to how Foreign Minister Bob Carr described the last AUSMIN talks in November 2012: "very much in the spirit of business as usual, steady as she goes, no new strategic content or announcements, but a matter of consolidation."[35]

This approach might be sufficient for the moment. In the long-run, however, the United States will certainly press for more Australian engagement, particularly if Canberra fails to put actions behind the aim to play a greater role in Southeast Asia, which will be an important litmus test for the alliance relationship.   In many ways, the White Paper reflects a phase of re-orientation in the Alliance: away from operations further afield towards the increasing security dynamics in Australia's own region. As the future of China's trajectory—and of US-Sino strategic relations for that matter—is still very much uncertain, the 'hedging' approach taken White Paper's approach makes sense. What happens if US-Sino strategic relations become much more competitive is left for a future White Paper.

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[34] Ibid., para 3.51.
[35] Transcript Press conference about the AUSMIN talks held in Perth, 14 November 2012, <http://foreignminister.gov.au/transcripts/2012/bc_tr_121114.html> [Accessed 14 June 2013].

The 2013 Defence White Paper: Strategic Guidance Without Strategy

Stephan Frühling

The 2013 Defence White Paper places greater emphasis than its predecessors on defence engagement, and begins to link regional security to the defence of Australia itself. It does not explain, however, what Australia has to do to achieve its objectives, or what commitments it would have to enter to do so. Overall, the White Paper moves towards a reinterpretation of 'self-reliance' that focuses more on the way in which Australia would operate in a coalition conflict, but developing a new defence strategy that links force structure, posture and employment to the achievement of Australia's strategic objectives is left to future White Papers.

In the foreword to the 2013 White Paper, Defence Minister Stephen Smith writes that "to protect and defend our people and protect and enhance our national security interests" it was necessary to make "complex strategic judgements about risks and opportunities in the international strategic environment", and that the document "outlines the capabilities that the Australian Defence Force will need … to address strategic challenges."[1] The logical link between these elements of the White Paper is Australia's strategy, which should derive guidance on the future shape and use of the Australian Defence Force (ADF) from strategic objectives. However, what the White Paper terms Australia's 'military' or 'maritime strategy' is no more than a statement of an operational approach and priorities.

What Determines the Shape and Size of the ADF?

The 2000 White Paper established a framework of five strategic objectives: The defence of Australia; security and stability of the Southwest Pacific and East Timor, including the absence of bases of hostile powers in that region; security and stability of Southeast Asia; security and stability of the wider, now 'Indo-Pacific' Asian system; and global security. The 2013 White Paper continues to use this basic framework, as did the 2009 White Paper, to frame Australia's defence interests, objectives and policy.

The principle that the ADF is structured for the first two objectives, but used to achieve all five, provides an important element of continuity from 2000 to 2013. No justification is, however, attempted in this White Paper for the number of aircraft, ships, submarines or battalions that the government intends to purchase with its citizens' taxes. To be fair to the 2013 White Paper, this is not a new shortcoming.

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[1] Commonwealth of Australia, *Defence White Paper 2013* (Canberra: Department of Defence, 2013), p. ix.

In 2000, the Howard Government reportedly instructed that existing capability was to be maintained, enhanced or replaced as part of the White Paper process. This spared Defence the need to confront any existential questions, or to link the proposed force structure in detail to the new strategic framework.[2] In 2009, the Rudd Government decided to double the future submarine fleet without any justification of the new (or old) numbers. However, these two White Papers at least provided a rough justification of the size and posture of the Army. Based on the Timor experience, the 2000 White Paper stated that Army should be able to deploy one brigade and one battalion on concurrent operations,[3] which the 2009 White Paper increased to one brigade and up to two separate battalions.[4] In contrast, the corresponding paragraph in the 2013 White Paper omits any reference to force levels.[5] The last time an Australian Government laid out a strategic rationale for the force structure that it buys with its taxpayers' money remains the 1987 White Paper, drawing on the 1986 Dibb Review.

Since the 1960s, Australian strategy has relied on the 'Defence of Australia' to determine *types* of capabilities held in the Australian armed forces. Despite its name, the strategic essence of the so-called 'DoA era' was the concept of 'self-reliance': Australia sought the ability to defeat credible attacks against the country without relying on the combat forces of its allies. Combined with considerations about warning and regional capabilities, the concept of 'self-reliance' was used to make arguments about the necessary size, sophistication and readiness of the ADF, and contained a strategy of how the ADF could be used to secure the country: As it would not require the direct combat assistance of others, Australia did not need to structure or posture the ADF to work with others; it therefore did not have to structure or commit to use the ADF to build regional coalitions or alliances on which Australia's direct security would depend; and any contributions would thus be made from within the 'DoA' force structure. The 2013 White Paper comments on Australian strategy show that all of these considerations need to be reinterpreted, but it contains only vague hints at a new direction.

A Subtle Shift on Warning and Expansion

One of the good elements of the 2009 White Paper was that it brought back to Australian strategic guidance, after a hiatus in the 2000 White Paper, the explicit consideration of warning and expansion times. The 2013 White Paper also states that

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[2] Hugh. White, 'Buying Air Warfare Destroyers: A Strategic Decision', *Issues Brief* (Sydney: Lowy Institute, 2005), p. 3.
[3] Commonwealth of Australia, *Defence 2000: Our Future Defence Force* (Canberra: Department of Defence, 2000), para 8.14.
[4] Commonwealth of Australia, *Defending Australia in the Asia-Pacific Century: Force 2030* (Canberra: Department of Defence, 2009), paras 10.7-9.
[5] Commonwealth of Australia, *Defence White Paper 2013*, para 5.15.

> In the event that a direct threat to Australia materialised—in the form of a concerted attempt to encroach on our sovereignty or annex our territory rather than an isolated or limited strike—we would require an even stronger ADF than is currently planned.[6]

It explicitly mentions as options for expansion the growth of the Amphibious Ready Element into an Amphibious Ready Group, and the acquisition of a naval strike capability.[7] When the 2013 White Paper refers to the "strategic importance" of Australia's shipbuilding industry,[8] it does not however discuss of the relative merits of industry for the sustainment of the ADF, or as a base for force expansion, as earlier papers have done.[9] It is in a purely industrial context that the government mentions it would "consider" adopting "a 'rolling build' approach to shipbuilding"—an approach that has allowed Japan to increase its submarine fleet from 16 to 22 after its 2010 defence review.[10] Four years after the return of warning and expansion considerations to strategic guidance, and four years after the decision to build the new submarines in Australia, there is thus still little clarity on what expansion would look like, or what it would be based on.

The White Paper makes references to regional capabilities and intentions as indicators for warning.[11] Both operate on very different timescales: Readiness generally can be adjusted to warning of changes in regional intentions—for example, the government increased Army readiness in 1999 before the Timor intervention. Acquiring new capabilities, however, would take longer, and traditionally Australia has tied warning of new regional capabilities to expansion of ADF force structure. In order to develop concepts of warning and expansion beyond the embryonic forms in the 2009 and 2013 White Papers, government thus needs to provide clear guidance on what it wants warning of, and what it wants the expanded ADF to do.

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[6] Ibid., para 3.39.

[7] Ibid., paras 8.14-15. The 2009 White Paper had decided to acquire the latter, in the form of land-attack cruise missiles. Unlike the 2009 White Paper—or, for that matter, the 2012 US Strategic Guidance—the 2013 White Paper does not call for the acquisition of 'fully developed' capability and more. Commonwealth of Australia, *Defending Australia in the Asia-Pacific Century*, paras 8.62, 10.8; Office of the Secretary of Defense, *Defense Budget Priorities and Choices* (Washington D.C.: Department of Defense, 2012), pp. 4, 6—7.

[8] Commonwealth of Australia, *Defence White Paper 2013*, para 8.45.

[9] Instead, the only mention of a specific strategic purpose of industry in the 2013 White Paper are 'opportunities' in regional defence engagement. Ibid, paras 6.4, 6.38, 12.2, 12.5.

[10] Ibid., para 12.55. In an accompanying press release, the Government said that it "supports" the recommendation of the *Future Submarine Industry Skills Plan* to use a 'rolling build' approach. Prime Minister, Minister for Defence, Minister for Climate Change, Industry and Innovation and Minister for Defence Materiel, '2013 Defence White Paper: Naval Shipbuilding: Release of the Future Submarine Industry Skills Plan', *Joint Media Release*, 3 May 2013. Because Japan regularly replaces submarines, it can expand the fleet size by keeping submarines longer in service. D. Mahadzir, 'Interview: Admiral Katsutoshi Kawano, Chief of Staff, Japan Maritime Self-Defence Force', *Jane's Navy International*, 26 October 2012, online edition (subscription required).

[11] Commonwealth of Australia, *Defence White Paper 2013*, para 3.39.

There has been a subtle change in this regard: The 2009 White Paper referred to "contingencies involving major power adversaries" in relation to warning and expansion.[12] In the paragraph quoted above, however, the 2013 White Paper focuses on adversary objectives, not whether the adversary is a major or smaller power. Instead, the paragraph that discusses confrontation with a major power now omits mention of either warning or expansion, and simply states that Australia would have to "depend on direct support from allied combat forces".[13] This does not mean, however, that self-reliance is irrelevant: Rather, the 2013 White Paper seems to interpret it in a new way.

The Twilight of 'Self-Reliance'

If something seems so obvious not to need justification, there is often good reason for caution. The 2013 White Paper is the first one that does not provide any justification for 'self-reliance'. In 2000, the Coalition Government wrote that the ANZUS alliance would be perceived as weaker if Australia developed a "dependency" on the United States;[14] an argument that would not sit well with the cuts to the Australian defence budget of recent years. More commonly, past White Papers have hinted at the strategic reasons that led to the evolution of the concept in the 1960s and 1970s: That Australian and US strategic interests may not always align closely enough that Australia could rely on direct US support in all situations, even if the basic US commitment to Australia's security was not in doubt.

This is the context in which the repeated reference to Australia's "unique strategic interests"—albeit not further defined—in the 2009 White Paper's discussion of self-reliance have to be read.[15] Regarding the direct defence of Australia, these interests historically focused on Indonesia. Force structuring for a conflict with Indonesia is what made it possible to use 'self-reliance' to determine how much and what kind of capabilities the ADF should include, and it is in relation to Indonesian contingencies that self-reliance provided a strategy for how Australia could manage serious conflict even if the United States abstained from direct assistance. The 2009 White Paper's discussion of Indonesia contained all the ambivalence about it as a potential asset and a potential threat that was common to Australian strategic guidance since the West Papua dispute of the 1950s. In the 2013 White Paper, that ambivalence is now gone, and there is no mention of even the possibility of a less than positive relationship with Indonesia.[16] In that

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[12] Commonwealth of Australia, *Defending Australia in the Asia-Pacific Century*, para 8.48.
[13] Commonwealth of Australia, *Defence White Paper 2013*, para 3.38
[14] Commonwealth of Australia, *Defence 2000*, para 5.14.
[15] Commonwealth of Australia, *Defending Australia in the Asia-Pacific Century*, paras 6.16-17, 6.28.
[16] Commonwealth of Australia, *Defence White Paper 2013,* paras 2.32-34, 6.27-30; Commonwealth of Australia, *Defending Australia in the Asia-Pacific Century*, paras 4.32-33, 11.21-22. There is no equivalent to para 4.33 in the 2013 White Paper.

sense, the 2013 White Paper is the first post-Indonesia guidance document since the early 1950s. With that, however, the original basis for a strategy of 'self-reliance' is also gone, and the White Paper does not discuss any specific instance, or even in general terms, where and why Australia should have to be prepared to use force in a substantial conflict without the involvement of others.

The 2013 White Paper repeats its predecessor's remarks that Australia would have to keep forces in reserve for the defence of Australia against retaliatory attacks, should Australia participate in operations to support stability and security in Asia.[17] And it further links the defence of Australia to regional security: In the past, the words 'self-reliance in Alliance' were useful to distinguish Australia's strategy from self-sufficiency or defence autarky. In contrast, the new phrase of "self-reliance … within the context of our Alliance with the United States *and our cooperation with regional partners*"[18] rather highlights the disconnect between the traditional interpretation of concept, and Australia's emerging strategic environment.

The 2013 White Paper states that the 'maritime strategy' for a self-reliant defence of Australia would include denying the enemy staging bases in the region—but with a remarkable tolerance for contradiction, it now states that this would "most likely" be undertaken "in partnership with others."[19] The same 'strategy', still discussed under the heading of 'Deter and Defeat Attacks on Australia', now also "aims to … project power by deploying joint task forces in the Indo-Pacific region and support the operations of regional partners when required", and the White Paper mentions "an active and visible domestic and regional force posture" as necessary for the defence of Australia.[20]

Whereas 'self-reliance' used to be a strategic concept that implied a specific strategy for managing regional conflict, it is now morphing into a mere statement of Australia's geographic and operational priorities in a wider coalition conflict. Such a statement is still useful, of course, but it is not a strategy for the defence of Australia. Neither is the 'maritime strategy' of the White Paper, because it lays out only a general operational approach, without a coherent explanation of how and why the use of the ADF in that manner would help bring about the government's strategic objectives.

Defence Engagement in Southeast Asia

If the government is moving away from a strategy of self-reliance, what does the White Paper say about operations alongside others? The 2013 White Paper again calls for the ability to make "substantial" contributions to the

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[17] Commonwealth of Australia, *Defence White Paper 2013*., para 3.57.
[18] Ibid., para 3.36. Emphasis added.
[19] Ibid., para 3.44.
[20] Ibid., para 3.42, 3.47.

security and stability of the wider Asia/Indo-Pacific, with a particular emphasis on South East Asia. Compared with its predecessor, however, it places greater emphasis on Australian defence engagement, which is now also explicitly considered in Australian defence posture.[21]

Yet, it is quite unclear from the White Paper what strategy Australia seeks to pursue with its regional engagement, let alone how it links to the defence of Australia: It states that "reducing the risk of conflict through building trust and partnerships through regular interaction … is a vital non-discretionary responsibility", and that "Australia's voice will need to be clearer and stronger to be heard".[22] But what does that mean? The White Paper hints at a strategy of common defence against external threats, especially alongside the United States—even to counter "coercion", not only "aggression", against Australia's "partners".[23] It also hints at a not incompatible, but more indirect and limited strategy of capacity building when it highlights the "very significant investment by Australia in the development of regional defence forces through training and defence cooperation."[24] In what reads like a throw-back to the 1990s literature on 'common security', it also proposes "helping to build effective mechanisms to manage regional and transnational security issues and risks arising from rivalries and the possibilities of miscalculation".[25] Then again, Australia may not be that proactive after all, as any "[c]ontributions [to stability and security] would be determined by Government based on consideration of Australia's direct interests," and the White Paper is careful not to commit to any specific approach.[26] Maybe the increased engagement in Southeast Asia ultimately boils down to Australian support for the "US rebalance [which] provides Australia with new opportunities for cooperation with the United States and regional countries to build regional cooperation and capacity"?[27]

The problem with the White Paper's discussion of defence engagement is thus that it does not link activity and desired outcomes through a strategic concept. Discussion of 'defence influence' would have been useful here, because this would have raised the questions of whom Australia sought to influence, what actions or situations it sought to influence, how it would have to use the ADF to do so, and what forces would be required—strategic questions that past generations of Australian policymakers, especially in the 1968 and 1971 *Strategic Basis* papers, engaged with in much greater depth

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[21] Commonwealth of Australia, *Defence White Paper 2013*, para 3.34.
[22] Ibid., paras 3.7, 2.11
[23] Ibid., paras 3.54, 3.56.
[24] Ibid., para 6.2.
[25] Ibid., paras 6.5, also 6.37.
[26] Ibid., para 3.54.
[27] Commonwealth of Australia, *Defence White Paper 2013*, para 6.11. It is worth noting that the US *Joint Operational Access Concept* sees peacetime cooperation and capacity building as the necessary groundwork for forward operations in major war. Joint Chiefs of Staff, *Joint Operational Access Concept (JOAC)* (Washington D.C.: Department of Defense, 2012), p. 7.

and consideration than this White Paper. For the basic question that the current paper does not address is that as long as Australia is reluctant to enter into any new commitments, to the United States or to regional countries, how much influence can it really expect from its regional engagement?

Renouncing Leadership in the South Pacific?

What about Australian strategy in the South Pacific? The 2000 White Paper had evolved beyond the old 'Defence of Australia' approach of previous decades when it gave the second strategic objective force structure relevance.   In 2009, the Rudd Government reinforced the practical implications of this commitment, stating that "Australia will be expected to take a leadership role within the South Pacific if these states are overwhelmed by a natural or man-made crisis". It explicitly mentioned "logistic support, air and sea lift, and strategic communications" that the ADF would have to provide to smaller partners to enable their participation in coalition operations.[28]   In the 2000 and 2009 White Papers, Australia's strategy to support stability and security was to have an ADF that could lead coalitions to decisively manage regional crises.

In the 2013 White Paper, the Gillard Government now seems to cut back Australia's ambitions in this regard. It finds that Australia has a "central role" in the South Pacific that, for better or for worse, "may well be balanced in the future by the support and assistance provided by other powers".[29] There is one reference to Australia playing a "leading role" in the discussion of strategic interest in the region, but when it comes to the principal tasks of the ADF, there is no mention of the ability to lead, as opposed merely to 'cooperate' or "conduct … military operations with others as required".[30] Nor does the White Paper make reference to providing capabilities in the ADF that would enable other countries to participate in coalition operations.

This is thus the first White Paper since 1994 that does not highlight the importance of robust and deep logistics capabilities for stabilization operations in the South Pacific. This matters, because logistics branches are generally less influential within armed forces than combat ones, and cuts to the former are also politically easier, because less immediately obvious, than cuts to the latter. At a time when defence budgets remain under serious pressure, this does not bode well for the ADF's ability to conduct any major operation even in its immediate neighbourhood. The government tells us that "Australia will work closely with regional states and those with an interest in the region",[31] but it does not require the ADF to be able to lead

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[28] Commonwealth of Australia, *Defending Australia in the Asia-Pacific Century*, paras 7.11, 6.37.
[29] Commonwealth of Australia, *Defence White Paper 2013*, paras 2.54-55.
[30] Ibid., para 3.49.
[31] Ibid., para 6.54.

and enable coalition operations. Nor however does it make any argument that the need for large-scale operations has diminished, and sticks with the 2006 increase of the Army, whose "regional security imperative", in Peter Jennings' words, "seemed more obvious then than now".[32]

Back to the Future with a 'Credible and Capable' ADF

Hence, if the government's defence policy is informed by a coherent strategy for the defence of Australia itself, or for managing threats in the region, there is little indication of that strategy in this White Paper. There is a notion that regional security and stability are becoming more important, and more directly relevant for the defence of Australia, but no guidance on what that might mean for the use, let alone the structure of the ADF. Maybe we should take reassurance from the government's repeated reference to a 'credible and capable' ADF?[33] In their 1991 White Paper, Australia's Kiwi neighbours sought to develop what 'credibility' might mean in practice, and how it could be used to inform force structure development.[34] Alas, no such discussion can be found in the 2013 White Paper.

This is not the first Australian strategic guidance document however to make extensive use of this, ultimately meaningless phrase—the 1971 *Strategic Basis* did so too.[35] And the parallels do not end there, because then as now, there was profound uncertainty about the future of the region, and a general recognition that a new era was dawning for Australia's defence strategy. Then as now, vague notions of warning and expansion pervaded strategic guidance. Then as now, defence engagement was recognized as important, but Australia had no clear notion of what it could achieve through it, or how it should do so. Then as now, a cabinet staring at electoral defeat was in no mood to question the strategic phrases of old. Then as now, strategic guidance hinted at new directions, but it was left to new governments to develop a new coherent strategy. In 1973, the government could do so with the controversial, but ultimately correct, judgment of no direct threat for 15 years. The next one, however, will not have it that easy, which makes the lost opportunity of the 2013 White Paper all the more regrettable.

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[32] Peter Jennings, 'Equipment acquisition: surprise from the skies', ASPIStrategist blog, 13 March 2013, <www.aspistrategist.org.au/equipment-acquisition-surprise-from-the-skies/> [accessed 23 May 2013].
[33] The term appears 11 times in 2013, three times in 2009, and once in 1987.
[34] New Zealand Ministry of Defence and New Zealand Defence Force, *The Defence of New Zealand 1991* (Wellington: New Zealand Government, 1991), pp. 30, 39—40, 52, 66-67.
[35] Defence Committee, *Strategic Basis of Australian Defence Policy*, 5 March 1971, used the term seven times, in a much shorter document. It is the only *Strategic Basis* paper to do so.

Defence Funding in 2013:
Means, Ends and Make Believe

Mark Thomson

The 2009 Defence White Paper set out an ambitious vision for the modernisation and expansion of the Australian Defence Force. But no sooner had it been released, than funding began to be cut in a headlong rush to bring the Commonwealth budget into surplus. Between 2009 and 2012, around $20 billion of promised funding was lost. The 2013 White Paper largely reconfirmed the goals of 2009 and restarted growth in defence funding. But the growth is occurring from a lower base, and the difference between the funding promised in 2009 and that announced in 2013 amounts to a deficit of around $33 billion for the period 2009 to 2022. It follows that, with less money than its predecessor, the 2013 White Paper is underfunded. And while opportunities exist to make Defence more efficient, the scale of possible saving will not be sufficient to balance the books. At some point, either more money will need to be found or capability ambitions reduced. With troops returning to barracks following more than a decade of high operational tempo, the natural tendency will be to cut the size of the Army to free up resources for investment in high-end and maritime capabilities. Recent experience in East Timor and Solomon Islands should temper that impulse.

A mismatch between means and ends is nothing unusual in Australian defence planning. Governments often find it easier to promise money than to deliver it, and the Department of Defence usually finds it easier to spend more than to find efficiencies. Even if such failings never occurred, Defence's plans consistently exceed what can be afforded with anticipated funding.

Usually it takes a year or two following a White Paper for the gap between funding and planned capability to become apparent. There's no such honeymoon likely for the 2013 White Paper. More so than any of its predecessors, it's clear from the start that its plans for the Australian Defence Force (ADF) are unaffordable in the long-term. Put simply, the government's plans for the ADF have remained ambitious while its willing to fund defence has manifestly lessened.

This article examines Australian defence funding in the context of the 2013 White Paper. The first section examines the political, economic and fiscal background to 2013 White Paper. The second explains the funding promised in 2013 White Paper and compares it with current plans for the ADF to see if there are sufficient resources for the task. The third explores the prospects for future defence funding. A final section explores the consequences of the present situation for Australia's defence.

Background

RECENT TRENDS IN DEFENCE FUNDING

After an East Timor inspired funding boost in 1999, Defence funding grew in real terms by an average of 3.7 per cent a year out to 2007.[1] Over the same period, the size of the Defence workforce grew from 50,335 full-time uniformed and 16,292 civilians to 53,167 and 20,391 respectively. At the same time, plans for the ADF grew in ambition and many large acquisition projects were initiated, including air warfare destroyers, amphibious assault vessels, airborne early warning and control aircraft, air-to-air refuelling aircraft and several fleets of helicopters.

By the time the Rudd Government took power in later 2007, it was commonly judged that planned funding would be inadequate to sustain the growing force and make good on remaining plans for its modernisation. The 2009 White Paper set out to resolve the mismatch between funding and plans. The 2009 White Paper carried forward almost all of the plans made by the Howard government and expanded ambitions in the maritime domain, most especially by doubling the planned size of the submarine fleet. In terms of funding, 3 per cent real growth was promised until 2017-18 and 2.2 per cent after that until 2030. In addition, a decade-long Strategic Reform Program was initiated, with the goal of freeing up $20 billion in savings for investment in military capability.

Less than two weeks after the release of 2009 White Paper, the government reneged on its funding promise and deferred $8.8 billion of promised funding to beyond 2016. There followed three budgets in which a total of another $11.2 billion was either deferred or cut outright from defence funding. The $20 billion of lost and delayed funding was driven by two factors. First, Defence found it difficult to spend its budget in 2011, thereby encouraging the government to claw back some funding. Second and more important, the government systematically reduced defence funding in a failed attempt to return its finances to surplus in 2012-13, following the economic downturn in the global financial crisis.

ECONOMIC AND FISCAL SITUATION

The impact of the financial crisis on Australia was less adverse than experienced by most other developed countries. Although Australia went into debt as the economy slowed and stimulus spending was enacted, net Australian Government debt had only reached 11 per cent of GDP by mid-2013. With debt so low, it is clear that the headlong rush to achieve a surplus in 2012-13 was motivated by politics rather than any underlying economic imperative. The global financial crisis is no excuse; throughout the

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[1] The facts and figures mentioned herein come from a variety of sources. Unless otherwise noted, the primary sources are detailed in Mark Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2013-14* (Canberra: Australian Strategic Policy Institute, 2013).

period that Defence funding was reduced, Australia's economic outlook improved relative to the dark prospects envisaged when the 2009 funding commitment was made.

In May 2012 the projected surplus for the forthcoming financial year was a wafer thin $1.5 billion. By May 2013 the projected outcome had been revised down to a deficit of $19.4 billion. Several factors contributed to the $21 billion write down, including weak capital gains and a 17 per cent deterioration in Australia's terms of trade. According to the government's latest estimates, the budget will remain in deficit for another two years until 2015-16.

Paradoxically, the failure to achieve a surplus opened up the possibility of reversing some of the recent cuts to defence funding. In the peculiar world of Australian politics, the accumulation of debit is secondary to the symbolic prize of delivering a surplus. So, with a surplus out of reach for the moment, a boost to defence spending was possible even though it was not considered likely by most commentators.

Defence Funding in the 2013 White Paper

In the 2013 White Paper and the budget that followed eleven days later, the government confounded many observers by providing around $3 billion of additional funding spread over three years commencing in 2013-14. As a result, defence spending will grow in real terms by 2.3 per cent to reach $25.4 billion in 2013-14, representing 1.6 per cent of GDP. Over the four years disclosed in the budget, defence spending will grow in real terms by an average of 3.6 per cent each year.

As part of a new approach adopted in 2013 White Paper, the government has provided a single aggregate funding figure for the six years subsequent to the four years of the budget estimates. At $220 billion, there's enough money to smoothly grow the defence budget in real terms by 2.5 per cent a year out to 2022 (assuming inflation of 2.5 per cent). Figure 1 shows the funding picture for Defence as a result of 2013 White Paper.

Looking at the consistent growth planned in defence spending foreshadowed for the next ten years, it is important to remember that the growth is occurring from a low base created by recent cuts. It will be two more years before defence spending climbs out of the hole dug in search of a surplus. Assuming that Australia experiences economic growth at the rate forecast in the budget over the next four years and as anticipated by Treasury's 2010 Intergenerational Report[2] thereafter, the defence share of GDP will not exceed 1.7 per cent over the next decade.

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[2] Treasury, *The 2010 Intergenerational Report* (Canberra: Commonwealth of Australia, 2010).

Figure 1: Past and Planned Defence Funding 2000-2022
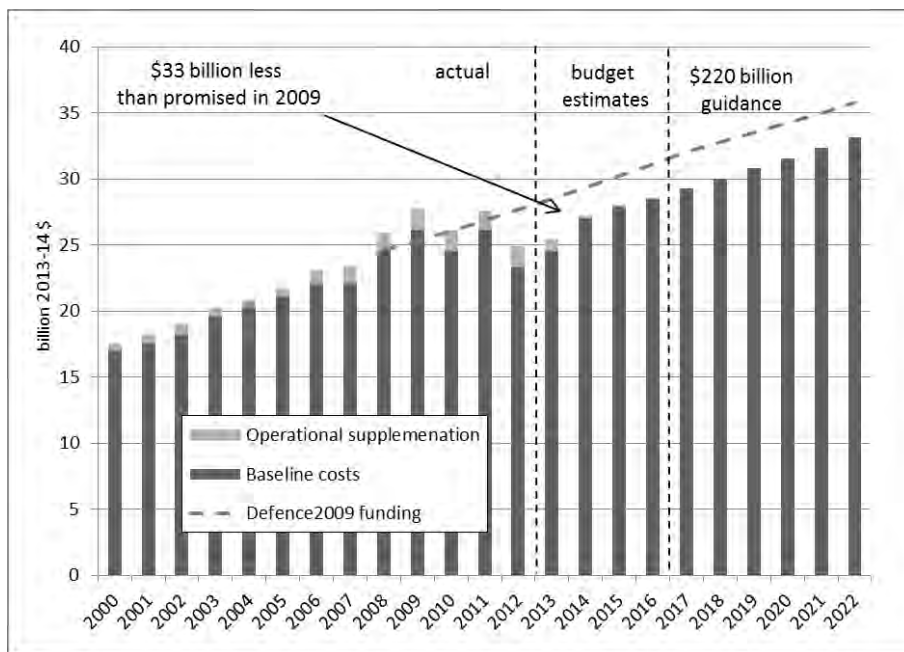
Note: 2000 = FY2000-01 etc.

Source: Mark Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2013-14* (Canberra: Australian Strategic Policy Institute, 2013).

IS THERE ENOUGH MONEY?

It is difficult be precise about the difference in funding promised in 2009 and that available today. Taking the commitment of 2009 at face value and using defence funding in 2008-09 exclusive of operations as base year funding, a difference of $32.9 billion over the period 2009 to 2022 results, equivalent to roughly a 10 per cent shortfall.

Comparisons between the funding outlook in 2009 and 2013 are important because the scale and sophistication of plans for the development of the ADF have not fallen appreciably over the intervening four years. Where some capabilities such as the Offshore Patrol Combatant have been put on the back burner, others have been brought forward, such as the replacement of the Navy's two afloat support ships. In terms of personnel, the target of 59,000 permanent members in the ADF has been retained.

Two particular decisions announced in 2013 White Paper are likely to add to costs in the years ahead. In the maritime domain, the setting aside of off-the-shelf options for the replacement of the Collins class submarines in favour of the two most costly and risks options can only add to future

demands for money. Similarly in the air domain, not only is Australia purchasing twelve additional Super Hornet aircraft equipped with the advanced Growler electronic warfare package, but it is now planned to keep the Super Hornets flying concurrent with the soon-to-be-acquired F-35 Joint Strike Fighter. Doing so will impose the additional cost of maintaining three different combat aircraft fleets in service over the decades ahead—an outcome that had previously been carefully avoided. In addition, the 2013 White Paper outlines a series of major facilities projects arising from the 2012 Force Posture Review.[3]

With more capability planned but less money available than in 2009, it is clear that the 2013 White Paper is underfunded. Given that the medium-term real rate of growth of defence funding (2.5 per cent) is less than historically needed to keep up-to-date ships, planes and troops in a modern armed force on a unit-cost basis (around 3 per cent),[4] there is probably not enough planned funding to maintain, let alone expand, the ADF.

WHY UNDERFUND DEFENCE?

Although the failure to achieve a surplus in 2012-13 provided breathing space for additional defence funding this year, boosting defence funding was not politically pain free for the government. The additional $3 billion provided to Defence in the near-term exceeds the $2.5 billion savings from the popular baby bonus. With only single one mention of defence in the Treasurer's budget speech, it is clear that are no votes in defence at this time, economics having long ago replaced national security in the mind of the electorate.

The conclusion therefore must be that the government has restored defence funding because they remain committed to strengthening Australia's defences at some level. Why then have they not provided sufficient funding to deliver all that is planned? The most charitable explanation is that they hedging against deterioration in the strategic environment by providing just enough funds to keep the option of a stronger ADF open. A less charitable view is that they are unable to face the hard decisions necessary to either pare back on current plans or to free-up money through higher taxes or reduced public services.

Irrespective of the explanation, this make believe approach to defence planning has been embraced by both sides of politics. Far from a having robust debate over what sort of ADF Australia needs and how much it should spend, the discussion has been reduced to echoing recitals of 'aspiring' to

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[3] Department of Defence, *ADF Posture Review Final Report* (Canberra: Commonwealth of Australia, 2012).
[4] Mark Thomson, *Trends in US defence spending: implications for Australia* (Canberra: Australian Strategic Policy Institute, 2010).

spend 2 per cent of GDP on defence—without any explanation of why this is necessary or when it might be achieved.

Future Prospects

WHAT CAN AUSTRALIA AFFORD?

From an economic perspective, Australia can afford to spend more on defence if it decides to.[5] Its debt is low, the economy is strong, and the country has broadly favourable demographic prospects compared to other developed economies. If it was judged necessary, Australia could spend far in excess of what even the most hawkish commentators would ask for.

But just because it can, does not mean that it should. A rational approach[6] would be to spend only as much on defence as could be expected to deliver a net benefit compared with the alternative uses of the money. This is hardly a radical suggestion; it is the criterion that should guide all public expenditure. For example, there is no reason to spend a single cent on defence if greater benefit is available from investment in infrastructure, and vice versa.

Unfortunately, defence is rarely thought of that way in Australia. Instead, defence spending is buffeted by shifting perceptions of risk with little regard to costs and benefits. The more worrying Australia's strategic circumstances become, the more likely it is that money will be found for defence. Conversely, the more worrying economic circumstances become, the less likely it is that money will be found.

FISCAL UNREALITY

There is a rich prize on offer for the political party that returns the government's finances to surplus. In Australian politics, a fiscal surplus is synonymous with sound economic management. Given that the last time a Labor Government presided over a surplus was 1989, it understandable why the Rudd and Gillard Governments were so eager to do so as quickly as possible—hence the cuts to defence spending from 2009 to 2012.

But the Commonwealth is not in surplus yet. Whoever takes government in September 2013 will have three opportunities to deliver a surplus prior to the next election. Based on the pattern of defence spending following the recessions in the early 1980s and 1990s and the surplus that was not to be in 2013, it is likely that defence spending will again come under pressure to help the Treasurer get over the line.

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[5] Mark Thomson, *Crying poor? The affordability of defence expenditure* (Canberra: Australian Strategic Policy Institute, 2012).
[6] Mark Thomson, 'Thinking about defence and risk', *The Strategist* Blog, <www.aspistrategist.org.au/thinking-about-defence-and-risk/> [accessed 11 June 2013].

More generally, the next government will face continuing risks to tax revenues in the years ahead coupled with growing demands from areas such as the National Disability Insurance Scheme. The heady days prior to 2008 when revenues consistently delivered windfall gains to the government are unlikely to be repeated. It is now increasingly judged that the resource boom was a once in a generation event that is now receding. Hard decisions are likely across all areas of government expenditure and revenue generation.

WASTE AND REFORM

Reform continues within Defence, even though reporting against the savings targets of the 2009 Strategic Reform Program has ceased. Materiel sustainment is being progressively refined, and ongoing reforms to the delivery of shared services are expected to eventually save around 700 positions. Nevertheless, it will be surprising if Defence is not subject to another round of reforms and efficiencies over the next few years. For one thing, the rapid growth in senior officer and executive numbers (and their military equivalents) since the year 2000 has not been reversed.

But while there is every reason to pursue as lean and efficient a Defence organisation as possible, one needs to be realistic about the scale of savings possible. Removing administrative layers and streamlining processes is more likely to improve effectiveness than boost efficiency—having 1,000 fewer civilians only saves around $100 million a year or less than 0.5 per cent of the overall budget.

Over the past two decades, Defence has been subject to multiple reform programs, from the Commercial Support Program through to the Defence Reform Program and most recently the Strategic Reform Program. As a result, most of the activities that can be practically transferred to the private sector have already been outsourced. The low-lying fruit has largely been harvested. What remains is likely to be difficult and risky. Consolidation of the defence bases is often cited as an area of potential savings, but it would take decades to recoup the massive investment needed to create mega-bases by bringing together dispersed units.[7] And while it would be possible to outsource some of the operational support activities presently done by uniformed ADF personnel, institutional resistance would be strong and the risks of relying on the private sector in wartime would be real.

THE DAY OF RECKONING

There is nothing unique about there being a gap between means and ends in Australian defence planning. The goals of successive Defence White Papers have either been revised downward or delivered much more slowly than planned. One way or another, reality eventually catches up. Following

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[7] Andrew Davies and Mark Thomson, *Who goes where? Positioning the ADF for the Asia-Pacific century* (Canberra: Australian Strategic Policy Institute, 2011).

the 1987 White Paper, it was the 1991 Force Structure Review that adjusted means and ends. Occurring at the end of the Cold War, the result was a cut to the land forces in order to free up money for investment in high-end air and maritime assets. Even then, the replacement of platforms proceeded slowly and on the basis of 'fitted-for-but-not-with' sensors and weapons. In 2003, the Defence Capability Review sorted out the legacy of the 2000 Defence White Paper by cutting existing air and maritime platforms while retaining plans to expand the Army.

The adjustments to the force structure made in 1991 and 2003 were products of their time, reflecting the perceived risks of their era. What then might the reckoning look like for 2013 White Paper if circumstances do not give rise to more funding? If nothing else, there will be the long-standing dilemma of Australian defence: finding a balance between air and maritime capabilities on the one hand, and expeditionary land capabilities on the other. Or, in terms of missions, the balance between defending Australia from attack and conducting ground operations in the near region or in coalition with others further afield.

Now that the Army is returning to barracks after more than a decade offshore in various theatres, the natural tendency will be to sacrifice the land force to allow higher levels of investment in advanced air and maritime platforms. With the replacement of the jet fighter fleet and submarines looming large, this tendency will be reinforced. Be that as it may, instability in East Timor and Solomon Islands over the past 14 years should temper that impulse. At the same time, geopolitical developments in the Asia-Pacific continue to confirm the risks identified by 2009 White Paper—even if the carefully crafted strategic narrative of 2013 White Paper tries hard to convince us otherwise.

Conclusion

Unless defence funding rises more quickly than planned in the medium to longer term, there will not be enough money to deliver the capabilities sought in 2013 White Paper. As in the past, the challenge will be to allocate the available resources to mitigate as much strategic risk as can be. Given the likely continuing concurrent demand for both air/maritime and land capabilities, without a proper funding base Defence is at risk of being unable to fulfil any of the strategic designs placed upon it.

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The Future for Land Forces

Peter Leahy

From the land force point of view the White Paper confirms Army's present trajectory and gives a firm boost to Army's signature proposal—Plan Beersheba. This is a good thing as, when implemented, Plan Beersheba will allow Army to more effectively generate combat organisations and train troops for future operations and then deploy and sustain an appropriate force. Given recent reductions in defence spending Army will have to make do with less for the foreseeable future. If the current reductions in defence spending continue there will be problems in redressing the capability deficiencies inevitably resulting from restrictions on training, maintenance and delays in acquiring new capital equipment.

Expectations for the 2013 White Paper were low and they were admirably satisfied by the government. It is the sort of White Paper you hope for when you do not really need one, there is not much to announce and not enough money to pay for new projects anyhow. It is essentially a conservative prescription for defence and it deservedly passed with few concerns and little fanfare. At the international level it attempts to repair the damage caused to Australia's relationship with China by the Rudd hedging excursion in the 2009 White Paper. At the national level it encouragingly hints at Defence acknowledging that it is part of the broader Australian national security community and it finally introduces some clarity into the submarine debate. There are positive indications of real policies for cyber and space and recognition of the importance of Indonesia as a partner in Australia's security future. For Army there is little damage and on a positive note it confirms Army's development path and approves Plan Beersheba.

The paper's conservative nature should be seen as a win for the realists within the Department of Defence. Unlike the politicians, the Department has a clear understanding of the links between strategy, capability and budget. Well done to the Chief of the Defence Force and the Secretary who must have had a real battle on their hands to achieve this somewhat guarded White Paper. Their battle is not yet over. Now they have to continue the struggle to restore the Defence budget to a figure in excess of 2% of GDP before some of the damage that has already been done to defence capability becomes irreversible.

The Australian Army

The immediate future for the Australian Army is to return from a period of more than a decade on high tempo operations. On return to Australia the Army has the task of repairing, rebalancing and getting ready for future deployments. Hopefully more than a few soldiers might get a bit of a rest.

However, there is unlikely to be much rest as the one real lesson of the recent past is that we should not expect much warning time for stabilisation, humanitarian and disaster relief the most likely future tasks for the Australian Defence Force (ADF). Quite serious international situations can develop quickly and the way the world looks at the moment they are quite likely to occur. As a result Australia requires a ready, balanced and capable land force.

Army's recent history has been one of constant and often concurrent global deployments on demanding operations. Lessons have been learned in East Timor, Afghanistan, the Solomon Islands and Iraq as well as on a broad range of United Nations deployments and humanitarian and disaster relief missions. There are lessons of preparedness, the equipment and capabilities required for modern operations, command and control, joint and combined operations, military diplomacy, tactics, techniques and procedures, procurement and leadership that must be confirmed and built into the future Army. One important consideration will be how to introduce and use unmanned aerial vehicles in a coordinated and ethical manner. Gaining maximum benefit from the lessons learning task will require introspection, integrity and application and will take a considerable period of time. Some of the lessons will be uncomfortable for the Army, Defence, the bureaucracy and government but they must be pursued if we are to avoid the mistakes of the past. While the White Paper does express an intention to keep the ADF at around its present level there is a degree of ambiguity around just how wedded government is to this aim. Reducing the size of the Army or diminishing its already modest capabilities would be a serious mistake.

BUILDING A FLEXIBLE AND ADAPTABLE ARMY

The longer term task for the Army is to build a flexible and adaptable force able to meet the White Paper requirements across all four defence designated tasks.[1] These tasks are expected and are a reflection of Australia's strategic culture and our strategic needs. They are beset by disagreement on their likelihood and therefore degree of risk associated with how and when they are to be achieved.

While some are confident in predicting the type of operations that will dominate the future and ascribe priority to them the harsh reality is that nobody really knows. In practice the government wants the ADF to be able to provide a broad range of options across all designated tasks. These options are generally required at short notice and are hampered by the fact that successive governments have not been prepared to fund defence to adequately prepare the defence force and especially the Army for the range or scale of potential operations.

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[1] Commonwealth of Australia, *Defence White Paper 2013* (Canberra: Department of Defence, 2012), paras 3.30-60.

Over the last two decades Army has struggled with this transfer of political risk to operational risk for the ADF and its soldiers. Army was not well resourced for East Timor and struggled. Arrangements were somewhat better for Afghanistan and Iraq but there was still an enormous amount of catch up to be done and most of the funding to conduct operations was in the form of supplementation rather than base funding. Without adequate funding Army stands in danger of again languishing in budget purgatory and being ill-prepared for the most likely future tasks—peace support, stabilisation and humanitarian and disaster relief missions. Army can and has acted to prioritise its allocated budget but as shown by the recent cancellation of the self-propelled artillery project the overall Army budget is inadequate and there are no good options to reduce expenditure.

The Way to the Future

Building the type of force required will present challenges for the Army. The major challenges are; implementing Plan Beersheba, building a coherent communications network, acquiring protected mobility vehicles and in conjunction with the Royal Australian Navy developing an ADF amphibious capability. Each of these tasks is underway and together they provide a solid foundation for the Army of the future.

PLAN BEERSHEBA
Government endorsement of Plan Beersheba in the White Paper is a major step forward for Army and positions it well for the future.[2] It restructures the Army into three 'like' multi-role combat brigades and signals the culmination of decade long development plans to harden, enhance and adapt the Army. It is a major achievement for the current Chief of Army. While it comes with some training and maintenance costs they are worthwhile absorbing.

Implementation of Plan Beersheba means that Army moves from an Army of singular capabilities and limited depth to an Army of three balanced brigades with similar organisations including armour, artillery, communications, engineer, infantry and aviation elements. The new structures mean that Army will have a supportable force generation and training cycle and the ability to offer a sustainable rotation capability. Achievement of Plan Beersheba means that Army is closer to being able to realize its primary preparedness task of deploying and rotating a brigade sized force. This has been a long standing task for Army and the fact that it has been unable to achieve it over many years has been a major failing in the preparedness and concurrency system of the ADF.

NETWORKING COMMUNICATIONS
Networking is being pursued under a plethora of projects which have generally proceeded slowly and have been a source of considerable

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[2] Ibid., paras 8.62-66.

frustration. Networking communications receives barely a mention in the White Paper but is perhaps one of the most important projects Army has underway at the moment.[3] These multiple projects have been difficult to integrate and their successful introduction across a force operating throughout the full spectrum of land and maritime environments is a considerable challenge. New digital radio systems will be introduced and will give Army unprecedented access to information. Their proper implementation will greatly assist battle management, mission planning and execution. When introduced, broadly across the entire Army, digital networks will be a considerable force multiplier and will revolutionize the way Army does business.

PROTECTED MOBILITY

Improvised explosive devices, in or alongside roads, have been devastatingly effective in recent conflicts. The days of soldiers being transported in vehicles made of tin and canvas are long gone. The White Paper sensibly confirms the requirement for personnel to be provided with deployable vehicles offering improved protection, firepower and mobility.[4] In what are essentially re-announcements it confirms plans to acquire new medium and heavy trucks and to replace Army's fighting vehicles and associated fighting systems. In another re-announcement it confirms plans to acquire additional Bushmaster vehicles and the allocation of some of them to the Reserve. However, there is a limit to how many Bushmasters the Army needs.

The major projects are centred on Land 121 and Land 400. Land 121, which broadly speaking replaces all Army's trucks, is underway but slow and beset by the normal project delays and concerns. One additional concern is the basis of provisioning. Due to overall budget considerations Army was long ago forced to trade off the numbers of trucks being acquired for higher levels of protection. As a result not all trucks will be fully protected and capable of being deployed. This will introduce fleet management and training difficulties and may well impose operational restrictions.

Land 400 is essential for the future of the Army. It is Army's largest and most complex project and will run well beyond 2025. It aims to replace the Army's current armoured vehicles (M113 APC and ASLAV) with an integrated suite of land combat vehicles. There is no clear indication yet what the vehicle will be but in order to cope with the increased complexity and lethality of land operations they will require improved protection, firepower and mobility. Given the cost and scale of this project the major concern is that it will be an enticing target for the budget scalp hunters. They will try to nibble away at it and reduce its scale, scope and extend its delivery date. They must be resisted.

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[3] Ibid., para 8.72.
[4] Ibid., paras 8.67-69.

Amphibious Capability

As an island nation Australia sensibly pursues a maritime strategy.[5] Army has an important role to play as a contributor to this strategy. Under the broad task of controlling the approaches to Australia the land forces can protect bases, defeat incursions onto Australian territory, secure and recover offshore territories and in support of other partners deny any enemy access to staging bases in our neighbourhood. With the arrival of the Landing Helicopter Dock the role of the Army, in a maritime strategy, will made easier and extended to humanitarian assistance and disaster relief, evacuation operations and stabilisation missions in the region. The allocation of 2nd Battalion the Royal Australian Regiment to this new role will allow the development of an unprecedented level of cooperation between the Royal Australian Navy and the Australian Army.

The Future Doesn't Stop With a White Paper

White Papers are a snapshot of a finite future. This one is distorted because of an unwillingness to fund the present, let alone the future. The work of planning continues and Army is well positioned to shape and plan well beyond the scope of this White Paper. It has invested in a continuous and thorough process to think about modernisation, strategic planning and how to shape the future. There are plenty of things to think about.

Special Forces

Special Forces have been the force of choice over the last decade. They have demonstrated incredible bravery and flexibility and have never disappointed at any task they have been given. They are truly the vanguard of the Army. An important task for the future is to migrate many of their hard won skills and techniques into the rest of the Army. At the same time the Special Forces must keep looking ahead with their trademark approach of overcoming obstacles with imagination and vigour.

While a decision is yet to be made about leaving a Special Forces counter-terror force in Afghanistan careful thought must be given to this commitment. The first question is what is to be achieved when the counter-terror problem has mostly shifted from Afghanistan to other regions and countries. Terror remains an issue in our own region and we cannot discount home grown terrorists. Is Afghanistan the best place to commit our scarce elite force and what will they be tasked to achieve?

If they are to remain in Afghanistan we must recognize that the task will be dangerous and complicated. We must assure ourselves that our troops are protected and adequately resourced and able to conduct their task in a legal and ethical manner. A strong status of forces agreement, crystal clear rules

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[5] Ibid., paras 3.42-47.

of engagement and meticulous, auditable and legally sanctioned targeting procedures must be non-negotiable elements of any Australian commitment.

PERSONNEL

As the tempo of operations decrease it will be natural for many in the Army to feel that with diminished opportunities for operational deployments it is time to leave and try something else. This is to be expected and those discharging should be commended for their service to the Nation. Recruiting and retaining their replacements will be a challenge as will ensuring that the right calibre of people are available to deal with the increasing sophistication and complexity of Army equipment and operations.

Great strides are being made with the employment of women in the Army. A broad based plan of recruitment, cultural adjustment and opening up employment opportunities is underway and is having a positive impact. This is a credit to the efforts of the current Chief of Army and the maturity and good judgement of Army personnel overall.

Combat operations have taken a toll on the Army with many soldiers wounded both physically and psychologically. Much to its credit Army is doing a great job looking after its wounded soldiers. They are well supported by other parts of government such as the Department of Veterans Affairs and more recently by a number of charities. Support will be required for a long time as will community engagement and understanding for wounded soldiers.

FORCE POSTURE

The White Paper struggles with the issue of force posture and how to reconcile the recent report by Allan Hawke and Ric Smith with the problem of the cost of developing new bases. What is clear is that there are too many bases in Australia and many of them are in the wrong places. They present a considerable cost to the ADF. Closure of some bases and consolidation of others offer the chance of considerable savings. Many bases could be closed now but remain open for a lack of political will.

A considerable portion of the force posture discussion is on northern basing. Army already has the majority of its combat force in the north with well established bases and convenient access to training areas. Apart from consideration of closing smaller Army bases, which will inevitably be Army Reserve depots, there is no justification for any major change to Army's bases.

ARMY RESERVE

Over recent years the Army Reserve has proven itself to be an indispensable part of the total force. They have delivered significant capability and real value for money during recent operations. They have made a focused and substantial contribution and have clearly demonstrated

their readiness and relevance to contemporary operations. One real challenge for the future Army will be to maintain the active involvement of the Army Reserve in everything that Army does. The implementation of Plan Beersheba presents a clear opportunity for this as it involves the integration of Reserve units into each Regular Brigade. Plan Beersheba offers a continuing platform for the close integration of the Army Reserve into the total force. This approach is to be endorsed and encouraged.

EQUIPMENT MODERNISATION AND DISTRIBUTION ACROSS THE FORCE

The Army in the field today is stunningly different from that which deployed to East Timor in 1999. Everyone, including the Defence Materiel Organisation, should be proud of what has been achieved. The combat equipment worn by individual soldiers and the level of technology afforded to deployed forces through intelligence, surveillance, mobility and protection is almost the stuff of movies. The deployed Army is indeed a modern force. This has been substantially achieved by one off buys and top up purchases made by rapid acquisitions outside the normal acquisition process. These gains cannot be allowed to slip and this level of technology and equipment provisioning must become the norm for the entire Army. It must also be refreshed on a regular basis. Doing this will be a considerable challenge and is unlikely to be adequately funded or supported by the current acquisition processes.

MAKING ARMY'S CASE

Another important task for Army is to continue to make its case as a versatile and entirely necessary element of the ADF. Given the events of the last decade plus it shouldn't have to do this but regrettably it is necessary. Despite clear evidence of the need for an adaptable, ready, sizeable and capable Army there are still some who would reduce Army's capabilities and allocate it a narrow role as a strategic goalkeeper for the defence of Australia or for limited paramilitary duties in the South Pacific. These ideas diminish the overall effectiveness and utility of the ADF and are dangerous to the individual soldiers who will, in the future, be asked to go to war. They also deny the predictions of our intelligence agencies that overwhelmingly assess that a direct attack on Australia is unlikely. Even after this evidence, following the 2009 Defence White Paper, Professor Hugh White offered the idea that, "a defensive Army is after all what Australia needs."[6]

Despite initiating or presiding over the strategies that ran the Australian Army down during the 80s and 90s and saw it dangerously ill-prepared for operations in East Timor and beyond, some individuals still advocate reducing the Army in both size and capability. Emeritus Professor Paul Dibb expressed his disappointment that the opportunity was not taken in this

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[6] Hugh White, 'The Future of the Australian Army', *Security Challenges*, vol. 7, no. 2 (Winter 2011), pp. 27-32.

White Paper to "kibosh" army's bid to replace all its armoured and mechanised capabilities.[7]

One of the clear lessons of the last ten years is that even non-state actors can make the battlefield or indeed city streets very lethal places and that protection and mobility are non-negotiable requirements for our soldiers in the future. One can only admire the confidence of Professors Dibb and White and their acolytes in expressing their views on what the Army of the future should look like. But their confidence is ill-founded. Caution is needed as their designs for Australia's defence have already been proven to be ill-considered. Do we want to take another chance and design the future Land force based on such a narrow view of the future and once again produce an Army ill-prepared for the most likely future? It is folly for them to presume that they can predict the future or somehow know what government will want. The lives of our soldiers are too important to accept such narrow prescriptions of the future.

Conclusion

This article has covered the land force for the future. The truth is that the 2013 White Paper is most likely a prescription for just the next two years. If the Liberal-National Coalition is elected in September they have committed to the production of a new White Paper in the following 18 months. Given the bipartisan nature of defence in Australia and the lack of political will, from both parties, to allocate additional funds don't hold your breath for any significant change to the land force.

The last decade for Army has been busy. Now on return to Australia the Army will have to adjust to a new era of being an Army 'at peace'. This is not an excuse to take it easy. There is plenty of work to be done and no one knows how long the 'peace' will last. Lessons must be learned and incorporated into force structure and design. There are plenty of positive projects to be introduced and Plan Beersheba will result in fundamental and very positive changes. Now the future just needs to be properly funded. Adequate and consistent funding from government, whichever one is in power, is the real challenge for the future.

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[7] Paul Dibb, 'Show us the money for Defence spending', *The Australian*, 6 May 2013, <http://www.theaustralian.com.au/national-affairs/opinion/show-us-the-money-for-defence-spending/story-e6frgd0x-1226635611440> [Accessed 19 May 2013].

The Future for Aerospace Forces

John Blackburn

The Defence White Paper 2013 is the latest in a long series of Australian Government Defence White Papers outlining defence policy, projected defence funding, structural reform proposals and expected savings plans, but lacking a budget sufficient to implement the plan. The impact of the decisions taken in the Defence White Paper 2013 for aerospace forces is at first glance positive, but in reality damaging. The government has committed billions of dollars to the Super Hornet acquisition to address an undefined transition risk at the end of this decade, while deferring the purchase of the full Joint Strike Fighter (JSF) capability promised in the 2009 Defence White Paper to around 2030. As a result of operating a mixed fleet of Super Hornets and JSFs in the mid to late 2020s, Australia will have many fewer than the '100' JSFs originally planned for, and will therefore have a reduced fifth generation fighter capability to address an uncertain future security environment. The mixed fleet will also result in increased operating overhead costs that will compound existing concerns regarding budget pressures and associated force capability risks. Australia's security depends on having realistic goals matched by achievable funding commitments. Merely aspiring to be a middle power will not make it so. If one accepts that the strategic risk analysis contained in the 2009 Defence White Paper was valid for Australia's role as a middle power, then the ADF should be resourced accordingly. If not, then government must recalibrate its aspirations, accept that Australia's future is not as a middle power in the region, and redesign strategy, concepts and force structure accordingly.

Defence White Paper 2013 Aerospace Decisions

The 2013 Defence White Paper provides an increased focus on Defence space capabilities and unmanned aircraft, without making any significant funding commitments in these areas. It did however make three significant decisions related to air combat capabilities:[1]

Firstly, it stated that the Government remains committed to acquiring the fifth-generation F-35A Joint Strike Fighter (JSF) aircraft, with three operational squadrons planned to enter service beginning around 2020 to replace the F/A-18A/B Hornet aircraft.

Secondly, it announced that a decision on replacing the Super Hornets with additional Joint Strike Fighters will be made closer to the withdrawal of the Super Hornets, which is not expected until around 2030.

Thirdly, the Government announced the decision to acquire 12 new-build EA-18G Growler electronic attack aircraft, instead of converting 12 of Australia's existing F/A-18F Super Hornet aircraft into the Growler configuration.

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[1] Commonwealth of Australia, *Defence White Paper 2013* (Canberra: Department of Defence, 2013), paras 8.79-85.

At first glance the announcement of the Growler acquisition can be viewed as a welcome increase in aerospace capability. However, in reality, the capability increase are not 12 Growlers but 12 Super Hornets, as the kits and wiring for the Growlers had already been announced and approved, and were to be fitted to 12 of the existing 24 Super Hornet fleet. Hence the real announcement was the acquisition of an additional 12 Super Hornet, but at the cost of the deferral of a fourth JSF Squadron until 2030.

The government's decision on delaying the withdrawal of the Super Hornets from service until around 2030 is significant, in that it changes the intent of the Super Hornet fleet from a transition capability to one of a long-term capability. This commits the Royal Australian Air Force (RAAF) to operate two fast jet aircraft fleets throughout the 2020 decade. This will incur significant cost overheads and will likely mean that our fifth generation fighter capability in the mid 2020s will be significantly less than that envisaged in the 2009 Defence White Paper.[2] This is not good news if the reader accepts that the 2009 White Paper capability decisions regarding the need for around 100 JSFs were based on a thorough analysis of future strategic risks that we may face. Having been the Deputy Chief of the Air Force from 2006 to mid-2008, the author's view is that the Department's classified analysis and advice on this matter was sound.

The 2013 White Paper capability decisions should also be read within the broader context of the 2013-14 Budget. With the budget papers being as opaque as usual, we have come to rely on the excellent analysis in the Australian Strategic Policy Institute's *The Cost of Defence* brief.[3] The ASPI brief notes that after four years of cuts, defence spending is on the rise again. Whilst some newspapers reported that defence spending was up by an extra $5.4b between 2013 and 2016, Mark Thomson noted that this growth is occurring from a low base, and in absolute terms funding remains well below what was promised when the 2009 White Paper was released. Thomson concludes that there is a 'Groundhog Day' feel about this year's budget and the broader plans for the ADF. As has been the case in the past, there is a gap between means and ends.

The ASPI brief also notes that the increase in the budget for the forward estimates has been achieved by bringing forward $3bn from future planned expenditure, and it appears that a further $10bn has been removed from the outer years with as yet an unknown impact on the Defence Capability Plan (DCP.)[4] The brief also highlights that in the 48 months between the release of the 2009 and 2013 Defence White Papers, around $20 billion of promised funding was lost as the government sought to reduce spending in order to

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[2] Commonwealth of Australia, *Defending Australia in the Asia-Pacific Century: Force 2030* (Canberra: Department of Defence, 2009), para 9.60.
[3] Mark Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2013-2014* (Canberra: Australian Strategic Policy Institute, 2013).
[4] Ibid., p. 122.

achieve a surplus. The shortfall between promised (2009) and now (2013) planned budget is in the vicinity of $30 billion for the period 2009 to 2022.[5]

Compounding this shortfall is the need to absorb the new capabilities decided in the 2013 White Paper within the existing budget. The ASPI Budget brief indicates that the Growler acquisition cost will be $2.774bn and the associated Net Personnel and Operating Cost (NPOC) over 17 years will amount to a further $3.143bn. It would appear however that only $200m of new funds has been provided for the Growler acquisition.[6]

Defence White Paper 2013 Aerospace Benefits and Risks

Hence, despite the overall shortfall in funding, the plans for the Australian Defence Force (ADF) remain as ambitious as ever, and in some cases have grown. What was unstated, but is widely discussed around Canberra, is that Defence had in fact strongly advised that the purchase of additional Super Hornets should not be pursued. Sadly, there has been little media commentary or public debate regarding this multi-billion dollar purchase, which will have significant implications for both near-term Defence equipment acquisition and long-term impacts on both future Defence capability and affordability.

What does Australia get as a risk mitigator or benefit from the announced purchase of 12 Growlers? As previously noted, the capability differential resulting from the 2013 White Paper is not 12 Growlers but 12 Super Hornets. For billions of dollars in acquisition and NPOC costs we will have around 8 additional Super Hornets on line to fly as a result of this decision, once maintenance and serviceability overheads are considered. What difference would the additional eight Super Hornets make with respect to a capability gap? In reality very little as an adjunct to the remainder of the ADF overall, and at an unknown cost for the remainder of the force which will be impacted by the absorption of much of the acquisition and sustainment costs from within an already taxed budget.

What are the down sides to this decision? They are major in terms of future capability, budget impacts and long term affordability.

Little public analysis of the strengths and weaknesses of the Super Hornet has been published—Australia originally purchased a bridging capability that will now form a long term fleet, and which will likely comprise 50% of the long-term fighter force. Perhaps the Super Hornet should have been examined in as much depth as was and is the case with the JSF? Despite the excellent capability that the Super Hornets offer today and in the near-term, they will be outclassed by fifth generation threats by the mid to late

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[5] Ibid., p. 123.
[6] Ibid., p. 31.

2020s. That is why our allies and regional air forces are acquiring fifth generation capabilities such as the JSF. In effect Australia is acquiring some of the last aircraft off the production line just before it closes.

As a result of operating a mixed fleet of Super Hornets and JSFs, the RAAF will have many fewer than the '100' JSFs originally planned for,[7] and will therefore have a reduced fifth generation fighter capability in the mid to late 2020s, barring future decisions to invest further in the capability. Operating a mixed fleet of Super Hornets and JSF as a long-term model will be more costly than operating a single fighter aircraft type. The cost overheads of running two operating, training, engineering and logistics systems do not make sense given our current Defence budget pressures, and the projected cost growth in equipment, costs, logistics and personnel costs. Australia is too small a country for its defence force to operate in this way in the future.

Defence is therefore in the interesting situation where the risk of a partial, short-term, transition capability gap in the fighter force was not considered to be acceptable by government, yet we have lived with a significant gap in other capabilities, e.g. our submarines, for the past decade. Whilst acknowledging that Australia had a risk of a partial gap in its air combat capability during the transition from the original Hornets to the JSF, the threats the country faces in the near term are relatively benign, in terms of those threats that would require a high level of fighter capability. The issue government should place emphasis on are the medium to long-term threats, where uncertainties regarding the future regional security circumstances demands that Australia can take appropriate risk mitigation measures. The decision to acquire additional Super Hornets today, at the expense of future JSF fleet numbers represents a significant capability risk, considering the medium to long-term threats we could face—at least based on the Department of Defence analysis that justified the 100 JSFs specified in the 2009 White Paper.

The lack of significant budget supplementation for the Growler acquisition and NPOC costs means that billions of dollars worth of other programmed equipment purchases will need to be delayed, with significant capability impacts that are yet to be quantified. So, for a capability gap mitigation of 8 aircraft on line, the government will delay or cancel a range of capabilities in the Army, Navy and Air Force that have already been defined as a high priority?

It would appear that the government has committed billions of dollars to an "announceable" Super Hornet acquisition to address an undefined transition risk at the end of this decade, whilst deferring the purchase of the full JSF capability promised in the 2009 Defence White Paper. Given the forecast Defence budget pressures, and the wider concerns regarding the future of

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[7] Commonwealth of Australia, *Defending Australia in the Asia-Pacific Century*, para 9.60.

the Australian economy, it seems implausible that in addition to the 36 Super Hornet / Growler fleet, Australia will be able to afford the three operational squadrons planned to enter service beginning around 2020—especially since these would need to be supported by an additional training /conversion unit.

Given the government's funding track record since the 2009 White Paper it is difficult to place any credibility in the 2013 White Paper plans. The Defence Minister said he would not accept an air combat capability gap. Unfortunately, the 2013 White Paper does set us up for a real air combat capability gap in the 2020s.

Defence White Paper 2013: What It Did Not Do

The defence funding record since the 1987 White Paper indicates that government commitments to defence funding were rarely sustained. The capability impacts of these funding shortfalls were significant, particularly when the defence policy goals remained largely unchanged. Project cancellations were a very rare response to funding shortfalls; rather projects were 'slipped' because of 'insufficient justification', with compounding effects on subsequent defence budgets. Budget pressures also resulted in platforms being acquired without a full suite of operational equipments, on the assumption that advanced systems could be retrofitted once the threat level (and thus funding) grew—an approach referred to as 'fitted for but not with.'

These types of measures have accommodated funding shortfalls, but at a capability impact that was rarely visible to the public, at least until it became evident that forces could not be deployed because of capability deficiencies. The public and political condemnation of Defence in these circumstances failed to recognise the underlying historical and political cause of the deficiencies, preferring to attribute such failures to 'Defence incompetence.'

Australia's acquisition of aerospace capabilities in recent years is at first glance impressive: C-17s, Wedgetail airborne early warning and control aircraft, KC-30s tankers, Super Hornets, Growlers and C-27s. The tag line "fitted for but not with" seems to have changed with an excellent inventory of platforms and fitted equipments. However, for those who remember what happened in the 1990s, after the promised 1987 White Paper funding did not materialise, the warning signs are ominous.

In a similar fashion to the 2009 White Paper, the 1987 White Paper had outlined an ambitious capability development program and forecast real growth in the defence budget of 3 per cent per year. However, when faced with subsequent defence expenditure cuts in 1990, the then Defence Minister Ray stated that:

> defence policy which required real growth over the coming decade would be a badly flawed policy for Australia as there is simply no way that a set percentage can be guaranteed.[8]

The Defence Efficiency Review (DER) of 1996 was an attempt by government to cut substantial waste in support areas and address perceived imbalances between support and combat force components. The DER was considered by many as being conducted and implemented with considerable haste that resulted in the loss of many essential support functions with a negative impact on the ADF in subsequent years.

There appears to be a similar funding prognosis in 2013. The 2009 White Paper postulated two sources of financial resources for new priorities: a government commitment to increased funding for the long term, and a requirement for Defence to make significant savings—around $20bn over a decade—within the authorized budget. It is evident that the failure of the Strategic Reform Program to achieve the savings budgeted in the 2009 White Paper, combined with the underfunding of the 2009 White Paper plans, places Defence in a similar position to that of the late 1990s. The government's ambitions once again far exceed its willingness to fund them.

Funding pressures are usually accommodated by cutting the less visible support functions, and through the latest business efficiency fads such as 'centralised services.' Sadly, the operational impact of such changes is rarely analysed thoroughly and the result has, in the past, been the loss of real operational capability that is not evident until forces are deployed. With the extensive menu of aerospace platforms that have been acquired in recent years, the RAAF is certainly well equipped in the near term. However, it now faces the risk of now being "fitted with but not for" if the less visible but essential supporting capabilities are once again hollowed out. Without funding supplementation the realisation of this risk is a high probability.

The 2013 White Paper does not appear to have recognised the lessons identified in Australia's recent defence history. It maintains a capability aspiration for the ADF that has long since been negated by funding cuts. It has complicated the problem by making short-term focussed capability decisions that will compound the defence budget pressures, and will diminish Australia's ability to address the security threats it may face in the 2020-2030 decade. The aerospace capability risks are having a diminished air combat capability in the 2020s, and having an extensive set of platforms but not the essential supporting capabilities necessary to raise, train and sustain them as a result of growing budget pressures.

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[8] Kim Beazley, 'Government Defence Policy', *Australian Defence 2000,* March 1990, p. 30.

What Next ?

In broad terms, the risks associated with the implementation of any Defence White Paper include the:

- provision of promised funding by government;

- achievement of ambitious savings program goals;

- accuracy of cost projections which determined the quanta of budget growth and cost savings goals; and

- ability of the Department of Defence and defence industry to deliver at the rate and scale required by the DCP.

None of these risks are new. The question that needs to be answered is what can be done differently in the future to prevent the repeated failure in policy implementation as we have witnessed with the 2009 White Paper, and pre-empt the risks arising from 2013 White Paper? In the event of reduced funding levels, how can we ensure that the situation is recognised and acted upon rapidly?

A future government should to address the funding shortfall, or adjust the defence policy and capability goals to match the available funding levels in a timely fashion, rather than allow a hollow force structure to develop to the point where hasty, reactive and often poorly coordinated force structure reviews and reform programs are implemented with resulting damage to the ADF's future warfighting capability. Analysis in hindsight is a luxury, however, and when reviewing past experience, one could conclude that the changes in funding levels or circumstances were occurring at a pace which was below the "public perception" level of the time, and were thus not afforded adequate attention or priority. In other words, the changes viewed in isolation did not appear sufficiently significant at the time to lead to corrective action, although they tend to do so when they are evaluated a number of years later.

The key judgment that will need to be made by future governments will be what compounding shortfalls or delays can be accommodated before a significant change in policy, plans or funding levels is required. What is clear is that in the case of the implementation of the 2009 White Paper, the significant fall in funding ($20bn over four years) should have triggered a significant reconsideration of the original goals. This did not happened in the 2013 White Paper; the fiction of the 2009 goals has been maintained despite the reality of reduced budgets. It was an opportunity lost.

Unrealistic goals translate into a stressed and unbalanced ADF; an unsound investment in national security. In the case of aerospace capabilities,

deficiencies cannot be remediated rapidly, regardless of the level of funding applied. Consistent, realistic and affordable policies are paramount if effective capabilities are to be fielded and sustained.

It is critically important that past defence policy implementation failures are not repeated. Hopefully a future government will learn the lessons from our history and address them in the next Defence White Paper. Most important for a future government will be the willingness to have realistic goals matched by achievable funding commitments. Merely aspiring to be a middle power will not make it so.

If one accepts, as the author does, that the strategic risk analysis contained in the 2009 White Paper was valid for Australia's role as a middle power, then the ADF should be resourced accordingly. However, if government is not prepared to resource the forces to that level, then it must recalibrate its aspirations, accept that Australia's future is not as a middle power in the region, and redesign strategy, concepts and force structure accordingly. This White Paper does neither.

If Australia's future is as a minor regional power, government will need to re-examine the country's alliances, goals and commitments. A more realistic view of Australia is essential to achieve the best outcomes possible in a future, complex, regional environment. The fact that these outcomes may not align with Australia's current perception of itself as a middle power is unfortunately the nature of life.

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The Future for Maritime Forces

James Goldrick

The 2013 White Paper provides a more sophisticated and nuanced analysis of Australia's maritime environment and security imperatives than its predecessors. While the resourcing of Defence capability remains of concern and there are issues to be resolved with particular force elements, the total force structure will provide government with a wide range of future options. This includes not only the emerging amphibious capability, but the range of force packages which can be provided by the Australian Defence Force as a whole. Further Defence reform will need to be undertaken with great care as to the support systems and material and human resources that the maritime front line units require if they are to be sustained. Another important aspect will be closer attention to the effective alignment of civil and military maritime capabilities through the adoption of a 'national fleet' approach for both ships and aircraft.

Towards a True Maritime Strategy

The opening chapters of the 2013 White Paper are thoughtful and well written and have profound implications for the future nature of Australia's maritime forces. The analysis of the maritime environment is more comprehensive than that of the 2013 National Security Strategy, which skated lightly over the relationship between the security of shipping flows and national and global economic development. More than any previous Defence White Paper of the last forty years, the paramount importance of maintaining those flows has been recognised.

The White Paper's identification of the complexity of the maritime security challenge creates a much better foundation for understanding the range of employment which the Australian Defence Force (ADF) may undertake, as well as the need for a diversity of capabilities to manage that range.[1] This is a step beyond the earlier debates on maritime strategy, which tended to focus too much upon the role of land forces in the littoral, rather than their operation as a key element—but only one—within a wider approach. There are, even within the ultimate Defence of Australia scenario, circumstances in which the ADF may need to protect vital energy shipments from within its own resources, but operations across the spectrum of conflict to provide for the wider protection of trade and essential materials in their movement by sea must inevitably be alliance and coalition based.

However, the combination of the linked, but not synchronised strategic policy documents of various departments has created discontinuities. The White Paper's strategic discourse could create the impression that Defence saw

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[1] Commonwealth of Australia, *Defence White Paper 2013* (Canberra: Department of Defence, 2013), paras 2.6-12.

military capabilities as the sole contributor to the maintenance of Australia's maritime security. This can never be the case, and the next version of the National Security Strategy must address maritime issues in a way that highlights the shared responsibilities.

Whole of Government and a 'National Fleet'

Although Australia has much more 'joined up' arrangements for maritime surveillance and response than many others, progress has been slow on furthering the concept of a 'national fleet'. Not only should government's maritime responsibilities be considered as a whole and properly divided and shared, but the relevant air- and sea-borne platforms and systems should also be planned for in a fully coordinated way. There are operational and industrial issues involved and significant potential benefits. The current Customs and Border Protection Service project for Cape class patrol boats, for example, leverages off the Royal Australian Navy's (RAN) earlier Armidale class design—of which it is a much improved and slightly enlarged version. Its introduction into service will be managed at a time when the Armidales are relatively mature. The White Paper's decision on the nature of the Armidale follow-on was arguably made that much easier by the Cape class project. This echelon approach will need to continue. It reduces the risk of gaps in capability while also smoothing the flow of work for the shipbuilders.

The decision to retain the multi-role vessel Ocean Shield and transfer it to the Customs and Border Protection Service in 2016 is another example of taking a wider, if somewhat opportunistic view.[2] Such efforts need to be placed on a more systematic basis, including consideration of the balance between the civil and military effort. This needs to be judged not on the basis of platform size or system cost as such, but whether the capabilities involved provide government with the wider range of options and greater flexibility of use in civil or in military hands.

The holistic approach to maritime requirements will also help identify Australia's major areas of concern in the maritime domain. The brief analysis of the Antarctic was perhaps the weakest element of the strategic discussion within the White Paper.[3] The declaration that military operations within the region are unlikely during the next few decades was not only more sweeping in its tone than may have been intended, but also ignored the fact that some military assets—particularly future long range unmanned aerial vehicles—may well be employed for a wide range of circumstances and in the relatively near future. Thus, while the lead on Antarctic matters should remain a civil one, Defence does have a stake and needs to have an awareness of events and the ability to support national policy. Given

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[2] Ibid., para 8.58.
[3] Ibid., paras 2.76-77.

Australia's claims in the continent, Australian Government presence in the area should be on a scale to ensure that Australia's voice is at least heard within the inevitable international debate that looms over the future of the Antarctic Treaty regime. Furthermore, given the importance of environmental protection, it is likely that the public will demand the demonstration of Australian presence in the event that the race for natural resources takes on an Antarctic dimension.

The Force Structure and High Intensity Operations

In terms of the ADF's capability for higher-intensity operations, the 2013 White Paper reaffirmed the overall force structure priorities laid down in 2009.[4] While the language employed is much more careful as to time and money, it sustained a fundamentally maritime focus. The priorities of undersea warfare, anti-submarine warfare, surface maritime warfare and air superiority, as well as intelligence, surveillance and reconnaissance and cyber security make it very clear where the ADF recognises that there is work to be done. Taken together, they also make it clear that the overall capability for maritime operations is dependent not only upon the networking of combat platforms, but the effective operation of remote sensors and communications.

Anti-submarine warfare in particular is a theatre problem, in which overall force dispositions as well as operations at the tactical level rely upon both intelligence and sophisticated environmental assessment. In this context— although the requirements extend much further than anti-submarine warfare alone—much more could have been said within the White Paper about the interaction between air and surface elements. This reflects the historical tendency of such documents to frame their discussion in terms of individual platforms, rather than as elements of a total warfighting system or in relation to both civil and military requirements. The faults of this approach apply particularly to the sections dealing with aviation, a key component of the ADF's maritime effort. The replacement of the maritime patrol capability of the ageing AP-3C Orion aircraft will involve difficult choices.[5] Some of their work can be conducted by unmanned aircraft, but the P-8A Poseidon will provide a combination of sensors and weapons that no other platform can match. However, the unit cost of military aircraft of such capabilities is approaching that of substantial warships and Australia will be unable to acquire the Poseidon in the same numbers as the Orion. There may be too few for the missions required. No matter how capable, an individual airframe can be in only one place at the one time.

It is difficult to escape the impression that political preoccupation with the air combat succession problem has obscured the advance in maritime capability

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[4] Ibid., para 8.3.
[5] Ibid., paras 8.86-87.

that results from the new Wedgetail aerial early warning aircraft in concert with the modernised guided missile frigates and the future Hobart class destroyers. For the first time in many years, Australia has the potential to deploy a 'total maritime force', whether for self-defence or as a contribution to a regional coalition. Our ability to provide such a force package—and, one hopes, to sustain it—will be one of the most significant contributions that Australia will be able to make to any future maritime combination with our regional partners. The ships, in future, will never come without the patrol and early warning aircraft, just as it is difficult to envisage maritime contingencies in which the aircraft will go without the ships. Furthermore, while the individual elements can be employed as niche contributions to a US-led effort, the emerging structure will allow the ADF to offer force packages and assume the associated operational responsibilities to levels rarely possible in the past. This can only be welcomed by the increasingly straitened United States Pacific Command.

Getting the Funding Balance Right

A number of factors need to be considered when answering the question whether sufficient money is being allocated to Defence. The short answer is not enough, even if the promises within the latest budget have been more encouraging. There are areas in which reform could free up funds, but it is also true that the full range of the requirements of a truly national and—to the degree necessary—'self-reliant' defence effort have been recognised by neither side of politics in the past. This lack of sophistication has been reflected in both busts and booms. For example, the ambitious funding targets of the 2009 White Paper were unrealistic in relation to the economic situation that has emerged. But Defence now balances on a knife edge if the hard won recovery of the last decade is to be maintained. From a wider perspective, the Defence estate has significant implications for Defence's maritime capabilities because of the resources it consumes. This nettle must be grasped by a future government, despite the electoral discomfort that may be involved. Confirming the future spending model in general must rank as one of the highest priorities for the next government and, if it is not to be at least of the size suggested in the latest budget, some very hard decisions will have to be taken—so hard the resulting misalignment of capability with the strategic situation will be obvious. The fundamental issue is not the size of the Defence budget in relation to GDP, but whether an increase in risk—and the accompanying reduction in strategic options—should be borne in an uncertain world.

The reliance of the RAN's front line units upon direct and indirect support raises the issue not only whether enough is being spent on capability, but whether the balance of that expenditure is right. What will be essential for future effectiveness will be careful attention to the sustained funding model—and to what that model is meant to provide. This problem extends more widely than resourcing the intelligence machinery or other elements which

achieve specific recognition in the White Paper's Chapter on Defence Reform. Providing the full range of human and material support is arguably the hidden cost of 'self reliance' and one that has not always—if ever—been paid in full by Australia. Many of the issues faced by the RAN in the last two decades have been the result of a 'perfect storm', in which the challenges of being a parent organisation to so many unique platforms collided with partially ideological and partially financially driven efforts to reduce both uniformed and public service support organisations in favour of out-sourcing. Although the RAN's difficulties were the most severe, similar problems have been experienced by the other Services. The effort associated with implementing the Rizzo report was as much to recover ground as it was to implement new concepts of governance and support.[6]

The proportion of expenditure on personnel and emerging capability requirements are creating pressure for a redistribution of funding. For the RAN, the challenge will be to sustain sufficient depth and breadth of technical expertise, in uniform and out of it. This endeavour will require sustained support from Defence as a whole and from future governments. Arguably, the RAN is operating on too narrow a uniformed personnel establishment and the task will become impossible if surety as to the civil expert personnel base cannot be maintained. This does not predicate a wholly 'inside government' solution, but it does require that a very long term view be taken. A future government must approach this with caution, particularly as many of the reforms have not had time to bear their full fruit. The approach being taken with the Future Submarine Project with its attention to technical skills is one that needs to be sustained for the whole ADF. Strictures as to the alleged size of the 'tail' by comparison with the 'teeth' of the ADF will not help if they are not based on a full understanding of the front line's requirements.

Fleet Replacement and Operational Service

Time has been bought for the Future Submarine Project with the insertion of an additional major docking cycle into the planned life of the Collins class.[7] It is easy to be cynical about this decision, but the general increase in warship (and submarine) service lives over the last two decades within Western navies has been disguised by the removal of so many units for purely economic reasons—and many of these ships have found a place in smaller navies. The 'bathtub' effect of higher maintenance with age can become too much to manage, but better designs and improved materials and preservation techniques have vastly extended operational life. Much was made of the state of the 40 year old amphibious ships which forced their decommissioning in 2011, but in the 1960s and early 1970s vessels much younger in years of service had frequently to undergo emergency dockings

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[6] Ibid., paras 9.6, 9.21.
[7] Ibid., para 8.51.

to fix unexpected holes. As a rule of thumb, a combatant unit built in 2000 can expect a service life of between 30 and 35 years, whereas that of one built in 1960 was between 22 and 25 years.

There remains, however, a point past which new construction, however great the capital impost, is a much better bargain than maintaining an old ship. The RAN is rapidly approaching this point with its replenishment vessel, HMAS Success, which the government decided to replace in the White Paper.[8] This addresses what is arguably the most urgent force structure problem that the RAN faces. The increased logistic, medical, helicopter and command capabilities that a second replenishment unit would bring in place of the very basic and somewhat makeshift merchant conversion tanker HMAS Sirius would be a significant addition to the ADF's capabilities in many situations.

Foreshadowing the earlier replacement of the Armidale class by a specialised patrol vessel was recognition of the stresses being experienced under the current operational regime.[9] It also reflected the lack of funding within the Defence Capability Plan for the more ambitious multi-role vessel projected to replace the mine-counter measure and hydrographic fleets. The upper limit of 2,000 tons (1200 was always more likely) set out in the 2009 White Paper was taken too literally by many. The real purpose of the single platform project was to reduce not only overall build cost, but also the through life expenses of maintenance, logistic support and training. It was always unlikely that the vessels involved would change their specialist employment other than by exception. The single platform remains a holy grail for the RAN, but it is for the long term. In the meantime, both the Collins submarines and the Anzac class frigates are likely to see much more service. The latter will have the benefit of the CEAFAR radar and its associated new combat system. These provide the ships with a quantum improvement in their capabilities against anti-ship missiles.[10]

In terms of RAN force posture, the practical difficulties of permanently basing major units in northern waters, effectively cutting off direct access to industry, are such that they do not bear further consideration. The Force Posture Review also highlighted the findings of an earlier study that the Navy's needs for deep water berths at Garden Island in Sydney are incompatible with those of the cruise industry.[11] This will require some original thinking—and expenditure—by a State government whose predecessors for too long 'boutiqued' the limited capacity of the other deep water areas of outer Sydney Harbour.

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[8] Ibid., para 8.59.
[9] Ibid., para 8.56.
[10] Ibid., para 8.54.
[11] Ibid., para 5.40.

Submarines and the Way Ahead

The decisions on the Collins class replacement show that thinking has crystallised on the practicality of off-the-shelf designs, none of which are of sufficient size.[12] A coherent debate on the requirement is difficult within the unclassified domain, but some points must be made clear. Even in a purely defensive strategy, conventional submarines have to be employed in a tactically offensive role and must therefore be forward deployed. Their limited speed (and inevitably limited numbers) mean they have to go where an enemy must be and go, not where he might come. Thus, although there are legitimate arguments as to the range of potential operating areas for our submarines, they must at least have the capacity to operate within the archipelago to our north, an operating environment which itself poses significant challenges for both passage and submerged endurance.

Arguably, the only unique thing about Australia's requirement is endurance within a conventional design. This dictates where the focus of attention must be and where we need help from our partners, particularly the United States. The arguments to continue with the American combat system and torpedo development programs are likely to be compelling. They provide surety of function which other manufacturers find it increasingly difficult to match, given the costs involved with development, trial and testing. Despite the potential of some remote sensors to 'see through' the seas, for the foreseeable future submarines will be the most covert maritime platforms, with an unmatched ability to create a level of threat and uncertainty for the adversary. It is also likely that submarines will benefit from symbiotic relationships with future unmanned undersea vehicles, particularly as the software and power issues faced by these complex machines evolve.

The Amphibious Capability

The RAN's new landing and helicopter dock ship HMAS Canberra will soon begin her trials and will be followed soon afterwards by HMAS Adelaide. From the strategic perspective, the new amphibious force will provide improved access within the region. Where the ships themselves cannot go, their helicopters and landing craft will extend the ADF's reach without the need to rely on others, or upon developed port facilities and infrastructure. The decision to retain the landing ship HMAS Choules means that a key component of the total capability will remain in place.[13] The ship can lift large numbers of heavy vehicles, as well as substantial amounts of stores and munitions. Without her, HMAS Canberra and HMAS Adelaide have the capacity to put very capable battalion groups ashore, but limited ability to provide the resources that such forces consume in their operations.

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[12] Ibid., para 8.50.
[13] Ibid., para 8.58.

Recent debate has begun to develop a more sophisticated understanding of the spectrum of amphibious operations, particularly in the relationship between their utility and the significant demands that even activities in a benign environment place upon the personnel and equipment involved. The employment of an amphibious group in a contested situation against sophisticated opposition remains not only one of the highest risk activities that the ADF could undertake, but also one of the least likely. Given potential adversaries in lower intensity conflicts, however, the capacity of the ADF to rapidly achieve over-match on entry will be vital and will demand the mastery by all involved of high intensity and closely coordinated operational techniques. It is this land-sea interface and the integration of the amphibious ships with their embarked forces that will require a learning curve. There will be a long haul from achieving the basics to being able to exploit the full potential of the amphibious group, although the ships and their embarked forces should be capable of much even in the short term.

Furthermore, one of the effects of budget cuts in the United States will be to increase the importance of the ADF's amphibious capability. US amphibious groups have been players in the majority of regional contingencies in recent decades but, if the reduction in forward deployments (one of the current major areas of US Navy cost reduction) is sustained despite the pivot to Asia, Australia may have to fill part of the gap. The White Paper's declaration that "initially" the amphibious effort "will focus on security, stabilisation, humanitarian assistance and disaster relief" was perhaps as much a recognition of the strategic imperatives as it was a caution against expecting—or fearing—too much from the amphibious force.[14]

Conclusion

The 2013 White Paper provides a well argued analysis of Australia's strategic challenges and its position within a changing region that is fundamentally maritime in nature. It balances the realities of geography and economics in a sensible way and sets out a force structure which provides a very wide range of options, perhaps wider than the nation has ever possessed before. It leaves some questions of capability unresolved, but the key vulnerability clearly lies in the ability and willingness to resource Defence to the degree required.

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[14] Ibid., para 8.14.

The Future Submarine Project

Andrew Davies

This year's Defence White Paper reaffirmed most of the aspirations outlined for Australia's future submarine in the 2009 White Paper, with the notable exception of land attack cruise missiles. In doing so, it focussed on the two most capable options of the four that were hitherto under consideration—an evolved Collins class boat, or a new bespoke design. While media reporting said the government had ruled out the off-the shelf and modified off-the-shelf options, it has actually suspended work on those, thus allowing the possibility that they could be revived at some future time. Regardless of which of the two remaining options is chosen, maintaining continuity of submarine availability until the first of class is ready for service will require an extension of the planned life of the Collins fleet. The net result is that the evolved Collins is the option most likely to be pursued.

It's now almost *de rigueur* to refer to Australia's future submarine project as Australia's most expensive defence project ever. There's no reason to doubt that. While the lowest estimates are under A$10 billion[1] for the least expensive option of buying off-the-shelf submarines from an established production line, there's no real prospect of that happening, with both sides of politics vowing to have the boats built in Adelaide. Options that involve the design and build of a new class of submarine have been estimated to cost anywhere between A$20 billion[2] and $40 billion[3], with the upper figure more likely to accurately represent the total program cost with project overheads.

Less widely reported is that, barring a significant re-scoping at some point, the project is also likely to take the longest time in Australian defence project history. Even if we take 2012 as the starting point on the grounds that it's the first year in which a budget allowance for the project was made[4], the twelfth submarine isn't likely to move down the slipway before 2035—over two full decades from now. That's a very important observation, and is the key to understanding what's likely to happen next.

Background: From Oberon to Collins

Australia has operated a fleet of six submarines for much of the past 35 years, with six British-designed and built Oberon class boats being replaced over the period 1996–2003 by six Collins class. The Oberons proved their

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[1] Sean Costello and Andrew Davies, *How to buy a submarine*, ASPI Strategic Insight, no. 48 (Canberra: Australian Strategic Policy Institute, 2009).
[2] Brice Pacey, *Sub judice: Australia's Future Submarine,* Kokoda Paper, no. 17 (Canberra: Kokoda Foundation, 2011). The figure quoted is a 'sail away' cost.
[3] Costello and Davies, *How to buy a submarine.*
[4] Prime Minister, Minister for Defence, Minister for Defence Materiel, *Next stage of future submarine project announced*, Joint Media Release, Canberra, 3 May 2012.

value as warfighting and intelligence gathering platforms. They are now known to have operated at great distances from Australia, including intelligence collection tasks in Soviet waters. And they produced some very good results in exercises, including against American carrier battle groups.

The Oberon was a large conventional boat, with a crew of almost 70. That's an important point for what follows—a large crew means that adequate rest periods can be accommodated even during operations. Their range, endurance and habitability meant that they were able to provide an independent Australian capability at a distance, as well as a useful complement to the US Navy's larger and all-nuclear fleet. These characteristics continue to form the basis for the requirements articulated in successive defence white papers.

When the Oberons reached life of type, it was therefore natural for Australia to retain a submarine capability. In the absence of a suitable Oberon-like replacement on the world market, the Collins was conceived as a boat that would build on the strengths of the class it would replace, being designed from the outset for long-range, high-endurance missions far from Australia. While reducing the complement to 42, the Collins still had a significantly larger crew than the smaller European boats that were the most likely alternative. (Of course, that was something of a mixed blessing, as the Navy found out when crew availability became a limiting factor for Collins availability in the 2000s.)

The transition from the Oberon to the Collins was poorly managed. Overly-optimistic delivery timeframes for the Collins meant that the Oberon life-of-type was reached before the replacement was ready for service. A crash program of extending the life of two of the Oberons meant that a continuous submarine capability was retained—at a lower rate of rate of effort than was desirable—but the resultant decline in submarine availability was a full twenty submarine years.[5] That shortfall had implications for not only for the management of submarine expertise, but also for the anti submarine warfare capability of the Australian Defence Force (ADF).

Even after the last of the Collins boats was accepted into service, the nation's submarine capability continued to fall well short. With a fleet of six, the Navy should be able to have two at sea, two at notice to move at periods of weeks to months and two in maintenance at any given time. The original aim was to have over submarine 1,500 days of availability annually from the fleet. That level has never been achieved, with a little over 1,000 days achieved in 2005–06 being the high point, followed by a steep decline to

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[5] Andrew Davies and Mark Thomson, *The once and future submarine—raising and sustaining Australia's underwater capability*, ASPI Policy Analysis, no. 78 (Canberra: Australian Strategic Policy Institute, 2011).

under 400 days in 2009–10, before recovering slightly to 600 in the following two years.[6]

The future submarine project will face many of the same issues. Achieving a smooth transition between classes will be a significant challenge. Each Collins submarine has a nominal lifetime of three eight-year duty cycles, with a full cycle docking between each. On that basis, the first Collins will reach life of type in 2022 and the last in 2031.[7] That is an impossibly short timeframe in which to design and build a replacement. The Collins project was given the go-ahead in 1983; the first boat was commissioned in 1996 and the last in 2003.

If the future submarine project could deliver on the same timescale, the first of the new class would enter the water a full four years after the first of the Collins was retired. And it is likely worse than that—Defence Materiel Organisation (DMO) estimate for the in-service date of a new submarine is 17–22 years from commencing serious definition and design work.[8] Even an off-the-shelf purchase would be tight timing wise; Pakistan and Brazil have had to wait almost a decade for deliveries after signing contracts for French submarines. Insisting on licence building in Australia—seemingly a political inevitability—would be likely to extend the delivery period.

The net result of the time required to acquire a replacement for the Collins is a likely repeat of the capability gap at least as bad as that between the Oberon and Collins. If the DMO's upper estimate is accurate, it could result in no submarines being available at all in the late part of next decade.[9] As a result of this time pressure, the possibility of extending the life of the Collins for at least another duty cycle of eight years has been investigated. While no definitive statements regarding schedule, scope or cost have been made in the public domain, a recent review found that there is no fundamental reason precluding such an extension.[10]

It is not clear how much engineering work would be required to achieve an extra eight-year cycle for the Collins boats. A minimalist approach might result in the fleet retaining essentially its current systems. However, the low Collins availability makes a case for a more substantial overhaul, which might include replacement or a substantial reengineering of major systems.

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[6] Andrew Davies, 'Graph of the week: Collins (un)availability', *The Strategist*, 14 December 2012, <www.aspistrategist.org.au/graph-of-the-week-collins-unavailability-2/> [Accessed 3 June 2013].
[7] Andrew Davies and Mark Thomson, *Mind the Gap: getting serious about submarines*, ASPI Strategic Insight, no. 57 (Canberra: Australian Strategic Policy Institute, 2012).
[8] Presentation to the Seapower 2012 Conference by RADM Moffitt, Director Future Submarine Project, January 2012.
[9] Davies and Thomson, *Mind the Gap*, figure 8.
[10] John Coles, *Collins Class Sustainment Review Phase 1 Report* (Canberra: Department of Defence, 2012).

The most likely candidates for replacement are propulsion components—some or all of the diesel engines, generators, electric motors and batteries.

That is not a trivial work program, and substantial design and engineering work would be likely to be required, as well as significant time out of the water for each of the boats that were so upgraded. But, assuming the successful completion of the process, the gap between the Collins and the successor class could be essentially eliminated. That would require simultaneous work upgrading Collins boats and building the first few of the follow-on class, thus representing a demanding management task in the shipyards. But there would likely be some useful synergies as well—a point that will be returned to later.

2009 Defence White Paper: A Conventionally-Powered SSN

The 2009 Defence White Paper was a clear statement of the then government's view of a robust response to growing Chinese military power. That was obvious from the force structure detailed in the paper, with an emphasis on long-range maritime platforms with land strike capabilities and which, most importantly, would be able to work closely with US Navy forces in the western Pacific.[11]

As a result, the requirement for the future submarine was extremely ambitious, and would almost certainly result in a new design, there being no conventional submarine in the world that can meet the criteria:

> The Future Submarine will have greater range, longer endurance on patrol, and expanded capabilities compared to the current Collins class submarine. It will also be equipped with very secure real-time communications and be able to carry different mission payloads such as uninhabited underwater vehicles.[12]

> The boats need to be able to undertake prolonged covert patrols over the full distance of our strategic approaches and in operational areas. They require low signatures across all spectrums, including at higher speeds.[13]

Elsewhere, the 2009 White Paper stated that the new submarines would be able to undertake certain strategic missions where the stealth and other operating characteristics of highly capable advanced submarines would be crucial. Consistent with this, planned enhancements included air-independent propulsion and land attack cruise missiles.

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[11] Andrew Davies, 'The Defence White Paper's Force 2030', in *Australian Defence Policy Assessment 2010*, ASPI Special Report, no. 30 (Canberra: Australian Strategic Policy Institute, 2010), pp. 8-12.
[12] Commonwealth of Australia, *Defending Australia in the Asia–Pacific Century: Force 2030* (Canberra: Department of Defence, 2009), para 9.3.
[13] Ibid., para 9.5.

That is a demanding set of requirements, and are beyond the ability of any conventional submarine currently on the world market. And given the explicit requirement for performance superior to the Collins plus a large payload, the future submarine thus defined was almost certain to emerge as a substantially larger boat

The 2009 White Paper also observed that "[t]he complex task of capability definition, design and construction must be undertaken without delay, given the long lead times and technical challenges involved."[14] While undoubtedly true given the timeframe analysis discussed above, it took three years for any funding to become available for that work (and another year before resourcing was reflected in the government's budget papers). And when resources did become available in 2012, the single-minded focus on big performance in the 2009 White Paper had apparently been tempered by some of the realities discussed above, with off-the-shelf and 'modified off-the-shelf' options being including in the scoping studies, along with studies for an evolved Collins class and a new bespoke design.[15]

The 2013 White Paper

The 2013 White Paper mostly preserved the force structure decisions of its predecessor, in keeping with the Defence Minister's insistence that 'core capabilities' would be retained.[16] However, there were some changes in the way the future submarine is described. Gone is the 'better than Collins' description. Instead, we are told only that

> the Government remains committed to replacing the existing Collins Class fleet with an expanded fleet of 12 conventional submarines that will meet Australia's future strategic requirements.[17]

Also, the future submarines (and frigates) are no long guaranteed to have land attack capability. Rather, that will be something a future government might choose to pursue, with the Air Force and Army having primary carriage of the ADF's strike capability:

> Australia's existing F/A-18A/B/F Hornet aircraft and future EA-18G Growler and F-35A Joint Strike Fighter aircraft will provide the principal ADF strike capability. Special Forces also provide covert strike options to Government, notably through the provision of targeting data, but also through kinetic strike. Australia's Air Warfare Destroyers, future submarines and future surface combatants will provide options for the Government to expand strategic strike capabilities if required.[18]

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[14] Ibid., para 9.6.
[15] Prime Minister, Minister for Defence, Minister for Defence Materiel, *Next stage of future submarine project announced*.
[16] Stephen Smith, Speech to the Australian Strategic Policy Institute, 1 August 2012.
[17] Commonwealth of Australia, *Defence White Paper 2013* (Canberra: Department of Defence, 2013), para 8.46.
[18] Ibid., para 8.15.

We are not told what the 'strategic requirements' for the future submarine are. This is consistent with the overall approach of the 2013 White Paper, which takes a much less confrontational tone than the 2009 version. But evidently long range and high endurance remain the key drivers of the capability goals, because work has ceased on the two options that would have resulted in shorter range submarines:

> The Government has also taken the important decision to suspend further investigation of the two Future Submarine options based on military-off-the-shelf designs in favour of focusing resources on progressing an 'evolved Collins' and new design options that are likely to best meet Australia's future strategic and capability requirements.[19]

By taking this step, the government has removed from the mix the two options with the least project cost and risk and the shortest delivery time—and the least capability, at least as far as off-the-shelf goes. A Collins life-of-type extension is now almost guaranteed. Indeed, we find in paragraph 8.51 a reprise of the Coles finding:

> In 2012, an evaluation of the service life of the Collins was completed, which found that the Collins Class operational service could be extended for one full operating cycle—some seven years excluding a period of formal deep maintenance.[20]

It is not entirely clear what that means in terms of the work or resources required. As will be explained later, there might be an opportunity to trial some systems for the future submarine in one or more of the Collins class boats.

The other significant step that has been taken since 2009, and which was re-announced in the 2013 White Paper, was the funding of a land based Submarine Propulsion Energy Support and Integration Facility, which will

> substantially reduce risk in the Future Submarine Program by providing the capability to research, integrate, assemble and test the propulsion, energy and drive train systems in all stages of the Future Submarine's design, build and through-life sustainment.[21]

The net result of all of these considerations is that the government remains committed to a large long-range submarine, but is perhaps not as wedded to the extremely demanding criteria of the 2009 ambition—although care should be taken when reading too deeply into the particular wording of White Papers. As well, the Collins class will receive whatever work is required for a further duty cycle and there will be research and development work on submarine propulsion systems in country. Collectively, these observations suggest the likely path of the future submarine project.

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[19] Ibid., para 8.50.
[20] Ibid., para 8.51.
[21] Ibid., para 8.49.

The Way Ahead

There are two broad approaches to the development of military platforms. The first is a top-down, requirements driven approach, which involves finding technical solutions that meet the specified performance criteria. Extreme examples are the Apollo moon landing program and Manhattan project. The other is a bottom-up approach, which takes the technical solutions that either already exist in the market today, or which are currently well under development, and employs them to produce the best performance available with those systems that are likely to be mature and reliable.

In practice, most projects have characteristics of both, although the emphasis can vary significantly. In many ways, the two options remaining for the future submarine project fit into different categories. The new design option is likely to be more requirements driven and will necessarily involve a performance significantly beyond Collins (else why bother?). A likely outcome is a submarine designed to meet criteria similar to those described in the 2009 White Paper. It will therefore represent the most technically challenging of the competing approaches, as well as the most expensive. If successful, it will produce the most capable outcome of all of those considered. But it is also the one most likely to fail or, like the Collins project, to produce a submarine that fails to meet its performance goals.

The evolved Collins option is, by definition, a bottom up approach. The Collins already has sensor, combat and weapons systems that perform well. As noted earlier, the propulsion system has been its Achilles' heel. With the land based propulsion test system, much of the engineering risk in upgrading the drive train can be retired in an environment where experimentation is easier than at sea—although ultimately any solutions will of course have to be evaluated in an operational environment.

There is no suggestion in public comments that the now mandatory Collins life of type extension includes a reengineering of the propulsion system, although that would potentially allow the reliability of the class to be improved. It would be a matter of cost-benefit analysis as to whether a single extra duty cycle would make the effort worthwhile. But if so, that might provide an opportunity to prove technology applicable to the successor class as well. Once a potential solution is identified, one or more of the Collins class boats could be used as a test bed before the solution is migrated to the follow on design.

The evolved Collins therefore represents the more conservative of the two options in many ways. And there is a potential 'two birds with one stone' benefit. Under this approach, a 'Collins Mark 2' could begin with a full suite of systems that have already been proven to be successful. It also has benefits for management of the workflow and workforce in the shipyards—if there are significant overlaps in the systems and design philosophies of the

two classes simultaneously being worked on, it will be easier to move workers between jobs and there will be sharing of fixed cost overheads.

To see how this approach might work, a useful analogy from aerospace is the process that produced the F/A-18 E/F Super Hornet Block II aircraft. Its pedigree can be traced back to the F/A-18 A/B Hornet. A technological refresh saw the A/B systems substantially upgraded with much higher performance replacements in the same airframe to produce the C/D models. Many of those systems were migrated into the Super Hornet Block I—a superficially similar but larger airframe with more 'growth potential'. The proven airframe was then upgraded with a new generation of systems (especially the radar) to produce the much more capable Block II model. Through three major evolutions, the airframe and systems within it were progressively upgraded—but never at the same time. The result is an aircraft that has little commonality (other than a strong familial resemblance) with the original Hornet, but has better performance in almost all respects. The Super Hornet project is notable for being on time and closer to budget than most of its predecessors.[22]

To continue the aerospace analogy, the 'top down' approach that resulted in the 'fifth generation' F-22 Raptor and the F-35 Lightning II required the design of completely new airframes populated by a large number of new systems. The result is very high level of performance that is a quantum leap over their predecessors, but both projects were notable for substantial cost overruns and schedule slippages.

Conclusion

The future submarine project has come down to two options that vary significantly in terms of cost, risk and capability outcomes, although both aim to produce a submarine superior in performance and reliability to the Collins class. By suspending work on the (relatively) low risk options and focussing on the demanding capability requirements of a long-range strategic submarine fleet, the government has clearly shown its judgement of the value of submarines in the wider Asia–Pacific theatre. From here, the decision process will be informed by the trade-offs between cost, project risk and capability between two options that aim to produce a 'better than Collins' performance. Whether the outcome is the 'stretch goal' of a new design with a quantum leap in performance or a more modest evolutionary approach will be determined on the assessed costs and benefits of each.

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[22] 'The aircraft met all of its performance requirements on cost, on schedule and 400 pounds under weight', USN Fact file F/A-18 Hornet Strike Fighter, 6 May 2009, <www.navy.mil/navydata/fact_display.asp?cid=1100&tid=1200&ct=1> [Accessed 3 Jun 2013].

Cyber Defence and Warfare

Desmond Ball and Gary Waters

The 2013 Defence White Paper includes security against major cyber attacks on Australia as an element of our 'defence of Australia' national strategic interest. It devotes a separate section to cyber in its strategic outlook. While the White Paper makes heartening comment about the need to integrate cyber power into national strategy, it provides no insights into how this might be achieved, nor does it set any real strategic direction for an improved whole-of-nation effort. It does not attempt to identify any cyber objectives that should underpin Australia's national security strategy. Australia needs to develop a current baseline cyber posture, derive a consolidated view of all requirements and gaps, and develop future remediation and implementation plans in an integrated fashion. Without this, cyber capability gaps across the Australian Government will continue to hinder the agencies' ability to plan for and conduct effective operations. Accordingly, this article calls for a comprehensive capabilities-based assessment, a national cyber capability plan, and an implementation plan (with specific actions and implementation responsibilities, timeframes, and performance measures) and a funding strategy for addressing any gaps resulting from the assessment. It also calls for a clearer articulation of operational planning considerations, including dealing with the conflation of electronic warfare and cyber warfare, and the use of uninhabited aerial vehicles for improved intelligence collection and network penetration.

Past Policy and Guidance

The Australian Government acknowledged in its 2009 White Paper that new disruptive technologies that could threaten network capabilities were likely to increase, and that the threat and complexity of cyber warfare was also likely to increase. Cyber warfare not only poses a serious threat to Australia's military capabilities but also to critical infrastructure, as acknowledged in the Minister's Preface to the 2009 White Paper. The 2009 White Paper also noted the growing importance of operations in cyberspace and observed that Australia's national security could be compromised by cyber attacks on the nation's defence, wider governmental, commercial or infrastructure-related information networks. It argued that the emerging threat would require significant and sustained investment in new technology and analytical capability to guard the integrity of information and ensure the successful conduct of operations. That new money however has not been forthcoming.

There has been increasing effort within the Department of Defence to address cyber as a domain, but that will require dedicated additional resources. There is recognition that cyber operations will need to be conducted within the Australian Defence Force (ADF) at force level, while the government acknowledges the need for a whole-of-nation effort. The cyber threat is real and is persistent. Increasingly, one should anticipate pressure mounting to structure Defence to better manage its cyber activities. Similarly, one should anticipate that Defence will realise the conflation of

cyber and electronic warfare and recognise an expanded role for Uninhabited Aerial Vehicles (UAVs) and refrain from addressing them as separate issues.

Main Decisions of the 2013 White Paper

The 2013 White Paper devotes ten paragraphs in Chapter 2, and another five paragraphs in Chapter 8 (which is largely a repeat of the points made in Chapter 2) to cyber aspects. Importantly, Chapter 3 explicitly includes security against major cyber attacks on Australia beyond the capacity of civilian agencies to counter as part of the defence of Australia against direct armed attack—Australia's most basic strategic interest.[1] The White Paper addresses electronic warfare and UAVs but does not attempt to bring them together with cyber considerations into any sort of operational planning construct.

The 2013 White Paper builds on the acknowledgement in the 2009 White Paper that national security could be compromised by cyber attacks on defence, government or commercial information networks. Cyber security concerns gave rise to Australia and the United States confirming, in 2011, the applicability of the ANZUS Treaty to cyber attacks. The 2013 White Paper argues that this move emphasised the need for capabilities that allow Australia to gain an advantage in cyberspace, guard the integrity of our information, and ensure the successful conduct of operations. It also argues the need for Australia to exploit cyber power, including working with partners and integrating cyber power into national strategy and a whole-of-nation effort.

As the 2013 version says, understanding of the cyber threat has increased markedly since the 2009 White Paper. The Cyber Security Operations Centre (CSOC) now provides

> a comprehensive understanding of the cyber threat environment and coordinated responses to malicious cyber events that target government networks.[2]

Furthermore, it has allowed Australia to increase "its intrusion detection, analytic and threat assessment capabilities, and improved its capacity to respond to cyber security incidents".[3]

Notwithstanding the improvements, further work is required to ensure the security and resilience of defence systems. While the 2013 White Paper mentions some aspects of this work, such as strengthening network and system management, and personnel and physical security, there is no real

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[1] Commonwealth of Australia, *Defence White Paper 2013* (Canberra: Department of Defence, 2013), para 3.9.
[2] Ibid., para 2.87.
[3] Ibid.

discussion on the breadth and depth of issues that need to be addressed. That said, the White Paper does mention that Australia is participating in international efforts to achieve a common understanding of how international law such as the UN Charter and international humanitarian law applies to cyberspace.

The White Paper amplified the Prime Minister's January announcement of creating a new "Australian Cyber Security Centre to improve partnerships between government Agencies and with industry".[4] The intention is to bring together within a single facility cyber security capabilities from across the national security community. The White Paper lists the various elements as Defence Signals Directorate's (DSD) CSOC, other parts of DSD's Cyber Security Branch, the Attorney-General's Computer Emergency Response Team Australia, the Australian Security Intelligence Organisation's Cyber Espionage Branch, elements of the Australian Federal Police's High-Tech Crime Operations capability and all-source-assessment analysts from the Australian Crime Commission.[5] Key industry and other private sector partners will be part of the Centre and Defence will play the principal role in the Centre's operation.[6]

The intent behind this new Cyber Centre is to achieve

> faster and more effective responses to serious cyber incidents, and provide a comprehensive understanding of the threat to Australian Government networks and systems of national interest.[7]

A Board, led by the Secretary of the Attorney-General's Department will oversee the Centre and will report regularly to the National Security Committee of Cabinet.

Implications for Future National Policy

The cyber threat is clearly escalating. The unprecedented sophistication and reach of recent cyber attacks demonstrate that malicious actors have the ability to compromise and control millions of computers that belong to governments, private enterprises and ordinary citizens worldwide. If Australia is going to prevent motivated adversaries from attacking its systems and stealing data, the broader community of security professionals —including academia, the private sector and government—must work together to understand emerging threats and to develop proactive security solutions to safeguard the Internet and physical infrastructure that relies on it.

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[4] Ibid., para 2.90.
[5] Ibid..
[6] Ibid, para 2.91.
[7] Ibid.

This is far broader than Defence and in meeting this escalating threat, Australia needs a National Cyber Security Strategy that should seek to maintain and enhance the benefits the nation derives from its activities and capabilities in cyberspace while shaping the strategic environment and strengthening the foundations of its national capabilities. Its key objectives should be to:

- strengthen security and safety in cyberspace;

- maintain and enhance the strategic advantages afforded to Australia by cyberspace; and

- energise the cyber industrial base that supports the nation.

From a national security perspective, government has implicitly argued for access to cyberspace in peace, crisis, or conflict. That means Australia must be able to meet the needs of national security leaders and personnel, irrespective of degradation of the cyber environment or attacks on specific systems. Ensuring this, means Australia must improve the foundation of its national security cyber enterprise—including systems, acquisition processes, industrial base, technology, innovation, and most importantly, the ability to grow Australia's own cyber professionals and continually improve their expertise and skills.

An Australian National Cyber Security Strategy should draw upon all elements of national power—economic, diplomatic, military, informational, technological, and societal—and should adopt a set of interrelated strategic approaches such as:

- promote responsible, secure, and safe use of cyber;

- develop improved Australian cyber capabilities;

- partner with responsible nations, international organisations, and commercial firms;

- prevent and deter aggression against cyber infrastructure that supports the nation; and

- prepare to defeat attacks and to operate in a degraded environment.

Armed with a National Cyber Security Strategy that sets out strategic objectives and approaches, Australia could integrate the various agendas that call for individual security, corporate security, national security, and international security. Calls for action within these agendas are likely to become more strident as cyber crime, cyber espionage, cyber attacks and security breaches increase in frequency, complexity and sophistication.

Indeed, most indicators point to future cyber crime and cyber attacks becoming more severe, more complex, and more difficult to prevent, detect, and address.

In considering its preparedness and response options to military threats, Defence assesses adversary capability. As the cyber threat evolves further, clearer delineation will be needed between activities that could manifest as cyber crime, cyber espionage, or cyber warfare. This means that there will be cyber activities and challenges that Defence will be interested in, while there will be others that fall under the purview of other government agencies and indeed within industry capacity and expertise. There is much work to be done here.

The Government Did Not Address Operational Planning

There is no mention whatsoever of any aspect of operational planning for cyber warfare in the 2013 White Paper. There is little doubt that the CSOC is already engaged in such activity, the technical details of which require the utmost security. DSD (now the Australian Signals Directorate) is a privileged party to cyber warfare developments in the United States and the United Kingdom, including, one would expect, techniques and plans for both defensive and offensive operations. While the US Department of Defense releases an enormous amount of information about cyber threats and its own organisational and operational activities designed to both counter those threats, and to allow the United States to undertake offensive cyber operations against adversaries more generally, Australia strives to ensure that nothing is disclosed about these activities from its side, nor is anything given away about Australia's activities. But there are aspects of operational planning which ultimately cannot be disguised, including the development and assimilation of doctrine within the ADF and the procurement of particular capabilities.

Sound doctrine is essential for the conduct of successful military operations. While only an authoritative guide, it does provide a focus for strategy and operational planning and forms a common baseline that enhances education and understanding. It brings together those fundamental principles that have worked in the past and those innovative ideas that look to the future.

Electronic warfare (EW) and cyber warfare are becoming conflated as the electro-magnetic environment merges with cyberspace. Cyber techniques will be increasingly used to penetrate the electronic components in weapons systems, collecting electronic intelligence to inform the development of electronic support measures (ESM), electronic counter-measures (ECM) and electronic counter-counter-measures (ECCM). ECM and ECCM operations will involve a conjunction of radio-electronic warfare and cyber attacks.

In some cases, cyber specialists would directly engage the electronic sub-systems in major weapons systems, such as the avionics of particular combat and support aircraft. This would include, for example, penetrating the 'firewalls' protecting avionics systems and using wireless application protocols to insert 'Trojan horses'. This would conceivably allow Australian cyber specialists to effectively hijack adversary aircraft (and to choose between hard or soft landings for them). In other cases, it would allow electronic components to be disabled or deceived—essentially conducting ECM and ECCM operations through cyberspace.

Cyber warfare operations thus require the use of specialised equipment of various sorts. Much of it consists of assorted miniature devices for implantation at various physical places in adversary networks, which hopefully would never be found.

But there is also a requirement for major support platforms. UAVs offer extraordinary promise for both enhanced and precisely-targetable communications intelligence (COMINT) collection and penetration of networks exposed during microwave transmissions. The acquisition of a squadron of Global Hawks for Signals Intelligence (SIGINT) collection is a serious possibility within the next decade. There are programs to produce a version of the Global Hawk with a 3,000 lb SIGINT payload, including COMINT capabilities. An Airborne Signals Intelligence Payload (ASIP) is available which can locate and monitor microwave signals out to ranges beyond 500 km. It could well be the case that three Global Hawks (with one on continuous 24-hour station) equipped with various sorts of antenna systems, could provide comparable COMINT coverage to that of the first Rhyolite geostationary SIGINT satellites in the 1970s. Other configurations, focused on 'microwave alleys', could provide direct support for interactive cyber warriors.

Broadening this discussion, commentators are now talking about active defence and while some have defined it precisely, the term continues to cover a broad spectrum. For example, it is used to cover software that scans for viruses without breaching systems on the one hand, while on the other, it is used to cover tools that defend against a cyber attack by disrupting the attacker's network. Lying between these two ends of the active defence spectrum is the action of hacking into a server to protect data that an intruder is trying to steal. The Australian Government has missed an opportunity for addressing active cyber defence in this latest White Paper.

Conclusion: The Need for a National Cyber Framework

While the 2013 White Paper addresses specific Defence aspects, the government has not addressed a fulsome National Cyber Security Strategy and attendant cyber capability plan that reaches across different parts of government and industry. There are vulnerabilities inherent in cyberspace

that make it imperative for Australia to develop the requisite strategy, capabilities, policy, tactics, techniques, and procedures for employing the full suite of cyber operations to ensure freedom of action in cyberspace and, to the maximum extent practicable, the safety and security of Australian citizens using cyberspace.

A national framework is needed to assess and prioritise nation-wide cyber-related capability gaps, assign responsibility and accountability for addressing them and to develop an implementation plan for achieving and tracking results. This would help identify the capabilities required to support the national cyber strategy of the day and help the agencies prepare long-term plans and funded programs to address critical cyber capabilities. One of the key elements of such a framework should be a capabilities-based assessment that defines the national cyber mission, identifies required capabilities, identifies gaps, assesses risk associated with those gaps, prioritises gaps, assesses solutions (both technical and otherwise), and recommends actions for government agencies and others to pursue.

The Australian Government has achieved much and is to be applauded thus far. However, nothing to date, or in train, addresses the cyber-related capability gaps that span technology, personnel skills and numbers, organisational requirements, education and training, facilities, support and services that would enable a current baseline cyber posture to be developed, a consolidated view of all requirements and gaps to be presented, and future remediation and implementation plans to be developed. As a result, cyber capability gaps across the Australian Government will continue to hinder the agencies' ability to plan for and conduct effective cyber operations.

Best practices for strategic planning indicate that effective and efficient operations require detailed plans outlining major implementation tasks, defined metrics and timelines to measure progress, a comprehensive and realistic funding strategy, and communication of key information to decision makers, all within a transparent process that keeps the public informed.

The sense of threat and vulnerability is mounting and the public and private sectors will come under increasing pressure to 'do something' about cyber security. Australia needs a comprehensive capabilities-based assessment, a cyber capability plan, and an implementation plan (with specific actions and implementation responsibilities, timeframes, and performance measures) and a funding strategy for addressing any gaps resulting from the assessment.

Any cyber response by Australia should anticipate further cyber actions by others—these actions might be targeted specifically at Defence or the ADF, cross-Government interests, or whole-of-nation interests. Australia needs to ensure it has an integrated cyber capability that is resourced adequately and

manages a number of competing demands, such as those for financial resources and cyber expertise, while ensuring disproportionate effort is not devoted to cyber—after all cyber does need to be 'normalised' as part of everyday activity and operations.

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The 'People' Perspective

Nick Jans

The people-related intentions enumerated in the 2013 White Paper are timely, appropriate and sensible, and will help the Australian Defence Force (ADF) to adjust to an impending era of lower pace and a more nebulous threat. The White Paper asserts the need to maintain personnel numbers, push on with integration and inclusiveness, improve management of education and training, and strengthen support for both families and the treatment and management of mental health and post-traumatic stress. The major cause for concern is the White Paper's excessive emphasis on using 'programs' as the major vehicles for organisational change, rather than relying more on simply improving basic, commonsense ways of doing things. This article argues that, with the right people systems and the right leadership, the ADF can turn many of the challenges of adjusting to a lower tempo era to its advantage.

'People' in the 2013 White Paper: A Lot to Like

From a personnel perspective, there are several themes in the White Paper that augur well for the future development of the Australian Defence Force (ADF). The first such theme is in respect to the fundamental factor of maintenance of numbers. After a protracted period of high pace, high engagement and clear threat, the institution is apprehensive about the prospect of an immediate era of exactly the opposite. However, the White Paper makes it clear that, although Defence may be required to operate with a more limited budget, it won't be asked to do this with fewer people.[1] This is eminently sensible. The strategic outlook and emphasis on defence engagement in the White Paper highlight issues and developments that range from the Indo-Pacific to the immediate region, including the need to prepare for the implications of the effects of widespread climate change and technological advances. Future operations are thus likely to be not only more varied but more complex. They will demand much in terms of the military institution's leadership capability and professional skills—if anything, in fact, one might question whether a force of 59,000 is sufficient for the designated responsibilities. Numbers must be maintained if only to keep all core trades viable, although the level of skill required in virtually every employment area at every level is such that one would be hard pressed to find many "non-core" trades. Army in particular probably breathed a collective sigh of relief when the White Paper was published, given that it has so often been the "boots on the ground" component that has been cut to make way for expensive high-tech capabilities in the other two Services.

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[1] Commonwealth of Australia, *Defence White Paper 2013* (Canberra: Department of Defence, 2013, para 7.10.

A second welcome theme was the increased emphasis on inclusiveness. The White Paper's focus in this respect was on achieving greater participation levels of currently-underrepresented groups, specifically women (especially in the Army), Aboriginal and Torres Straight Islanders and reservists. Part of this thrust will be a focus on increasing the diversity in the ADF Cadets. The White Paper mentions the creation of a Diversity Council, a Diversity Champion and a Diversity Strategy.[2] While the precise functions of each of these entities are not mentioned, but it is presumed that this is because, at least in the short term, they will be 'works in progress'. Aboriginal and Torres Strait Islander participation will be encouraged by the activities of a Defence Indigenous Employment Strategy and the Defence Reconciliation Action Plan. The twin aims here are to build on Defence's contribution to community engagement and development, and to improve the recruitment and retention of this particular population segment.

The White Paper discusses the issue of female inclusiveness in terms of the earlier decision to lift the remaining restrictions to female employment in the combat trades, and expanding women's training and promotion opportunities by setting gender targets for greater participation at the Australian Command and Staff College and the Centre for Defence and Strategic Studies.[3] In addition, ADF promotion boards and selection panels for senior ranking positions will include at least one woman and one external (i.e., non-ADF) member. This expansion of opportunities is aimed at facilitating greater diversity at the more senior levels of leadership, a move that is likely to result in a number of longer term benefits. Army as the main focus here has set itself a target of doubling its annual female recruitment target in order to increase its recruitment of women by 20% by 2014.[4]

There is little question that the ADF takes the diversity issue very seriously. For example, diversity was mentioned in virtually every one of the interviews conducted as part of a recent study of ADF strategic leadership.[5] In this respect, the ADF's most senior officers readily concede that institutional performance in this regard still leaves much to be desired. And, with a number of these interviews having been conducted prior to the series of incidents in 2011 that gave rise to the various reviews of professional conduct (most notably, in this specific respect, to the Broderick Review), it is plain that the Service Chiefs had been thinking seriously along these lines for some time, i.e. before they were specifically directed to do so. In many ways, in fact, the Broderick and other reviews facilitated the Chiefs' ability to gain institutional acceptance of the broad kinds of initiatives that they already

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[2] Ibid., paras 10.16-17.
[3] Ibid., paras 10.19-21, 10.27.
[4] Ibid., para 10.26.
[5] Nicholas Jans, Stephen Mugford, Jamie Cullens and Judy Frazer-Jans, *The Chiefs: A Study of Strategic Leadership* (Canberra: Australian Defence College, 2013), esp. pp. 72, 110-111.

had in mind, with the White Paper simply endorsing, formalising and further legitimizing their intentions.

A third encouraging theme relates to education and training. While the ADF already does a very thorough job of turning new entrants into competent professionals and of progressively upgrading technical and leadership skills in the junior and mid-career stages, there is room for improvement in the educational programs aimed at enhancing higher level strategic leadership capacity (i.e., for O7 and beyond). Again, the Chiefs themselves clearly acknowledge this.[6] The White Paper states the very sensible intention of developing ADF and Australian Public Service joint and common education and training programs and of developing the Australian Defence College (ADC) further as a key provider of shared education and training services.[7] It is to be hoped that this will be supported by appropriate thinking about and resourcing for social science research that will generate findings and insights that can be used to enhance leadership capability, together with the overall career experience and organisational agility and performance generally.

Finally, the White Paper includes three very necessary and arguably 'not-before-time' programs. First, there is to be a greater emphasis on continuing to adapt institutional culture, consistent with the various recent reviews and in the light of contemporary realities.[8] Again, *The Chiefs* study shows that senior officers had already been thinking along these lines prior to the various 2011 reviews; and, as with the Chiefs' intention to achieve greater inclusiveness, these will confirm and add weight to the need for cultural change at the middle and lower levels. However, while the White Paper discusses the issue of 'culture' largely in respect to gender employment and acceptance, there is much more to culture than this. For example, one target for cultural fine-tuning is to lift professional understanding of broad sociological trends at both the organisational and societal levels. Again, this is an outcome that is likely to follow once greater acceptance of inclusiveness is achieved.

The second 'not-before-time' program will be aimed at bolstering support for families. The specific aspects singled out here are the provision of greater access to government services for families and the development of stronger social and community networks. These family support programs will include basic medical and dental care for families living in remote and regional locations, by extending the current trial of healthcare arrangements for another 3 years.[9] Moreover, Defence would be wise to regard these as banner projects within a general strategy for placing more emphasis on family support in each Service's retention strategy.

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[6] Ibid., pp. 80-82.
[7] It is a pity that the White Paper didn't use the term "centre for excellence" in this respect, to give the issue further weight.
[8] Commonwealth of Australia, *Defence White Paper 2013,* paras 9.16-19.
[9] Ibid., paras 10.47-53.

Finally, the White Paper commits to strengthening the treatment and management of mental health and post-traumatic stress disorder.[10] It does so by pledging to continue the significant improvements in such services, including the very sensible and strategically-oriented notion of reinforcing them with comprehensive education and support across all career levels and stages, from pre-recruitment to completion of service.

Remaining Concerns

In approaching these issues, the White Paper inadvertently highlights Defence's characteristic approach to any major issue; namely to address each issue with a "Review" and a new "Program" (the capitalisation of the relevant label is not unimportant). Thus—to cite just a few—we have the Australian Defence Force Posture Review, the Coles Review; the Rizzo Reviews; and the Strategic Perform Program; the New Navy Generation Program and the Support to Wounded, Injured or Ill Program.[11] However, what is generally needed in many such issues is not so much yet-another-review and yet-another-program, but rather simply an effort to identify and embed sensible ways of framing and tackling problems strategically, managerially and professionally—in simple terms, to use more effective ways of doing normal business.

Topical examples of this concern are 'accountability' and 'culture development'. The recent Black Review's[12] solution for improving accountability and governance in acquisitions centred on a large number of organisational changes, including those to personal and institutional accountability, planning and decision-making, performance management, accountability and contestability in capability development, financial management, the delivery of services across different parts of the Defence Organisation, and skills development. Ironically, it is quite likely that one of the major consequences of simultaneous changes in all these areas will be an increase in bureaucracy that will simply exacerbate the existing problems. It is a pity that the Black Review made no attempt to tackle the issue from a first principles approach. For example, if the processes associated with administration and acquisitions are not as effective as they could be, it is at least in part because the staff at all levels tasked with such responsibilities simply lack the basic "know-how", "know-why" and "know-who" needed to frame and tackle complex problems in a complicated bureaucratic setting.[13] The most likely reason for such competency deficiencies is that the staff officers concerned are subject to the military's widespread practice of staff churn and job rotation aimed at building 'depth' and 'adaptability'. However, the existing research on the performance effects of this practice suggests

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[10] Ibid., paras 10.38-43.
[11] Ibid., paras 1.25, 9.6, 9.7, 10.25, 10.36.
[12] Ibid., para 9.6.
[13] Nick Jans, 'From Black to Black: a reform veteran's perspective of the Black Review', *Australian Defence Force Journal*, no. 186 (2011), pp. 85-87.

that such developmental goals are achieved at the cost of often sub-optimal job and team effectiveness and efficiency. The research suggests that performance would be enhanced by the application of more sensible staff streaming practices and more imaginative team composition.[14] For example, simply increasing the tenure of a few members of each staff team would significantly improve individual and collective performance and collective memory. Ironically, the addition of an extra layer or two of bureaucracy, as Black recommends and as seems likely to be adopted, will probably result in precisely the opposite.

A similar argument applies to improving the delivery of professional education, particularly that at the ADC at Weston Creek. For example, for the past decade or more, the Australian Command and Staff College has been subject to a Directing Staff (DS) turnover rate of around 18 months per person: very few have had lengthy tenure. This means that individual DS must concentrate all their efforts on the preparation and delivery of day-to-day learning activities for current course members, leaving them little time to think about longer term curriculum development and other improvements. Thus an important element in enhancing professional education at the higher levels of the Australian military profession will be to stabilise staff tenure at Weston Creek, at least for a critical mass of DS.

This example points to an area that was disappointingly neglected in the White Paper: that of personnel-related research. While the ADF is generally strong in respect to its people systems, it remains weak in its understanding of just how and why they work so well. This is a consequence largely of its general indifference to appropriately-targeted research. While there are some encouraging local signs in this respect, such as the increasing emphasis on behavioural science research in the Defence Science and Technology Organisation and the Centre for Defence Leadership & Ethics at the ADC, the workforce intelligence component within the Department itself continues to lag in terms of its approach to basic, in-depth research. Enhanced knowledge amounts to enhanced power in this regard, and it is to be hoped that the current leadership team within the people capability area will see this as a key priority for improvement.

A further issue is in respect to financial management, which rightly receives considerable emphasis in the White Paper.[15] This, however, is another aspect in which a new 'program' is likely to be less effective than simply taking a more systematic approach to tackling issues as part of normal business. For example, one of the many encouraging trends in the ADF's strategic leadership group is the emergence of the notion of 'financial

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[14] See for example: N. A. Jans and J. M. Frazer-Jans, 'Job rotation and military capability: benefits, certainly – but is anyone counting the cost?', *Australian Defence Force Journal*, no 146 (2001), pp. 47-59; N. A. Jans and J. M. Frazer-Jans, 'Career development, job rotation and professional performance', *Armed Forces & Society*, vol. 30, no. 2 (2004), pp. 255-278.
[15] See Commonwealth of Australia, *Defence White Paper 2013,* Chapter 7 and paras 9.6-7.

culture'. This refers to having particular sets of habits and ways of thinking about financial resources: it relates particularly to the distinction between 'being frugal' and 'thinking differently about resource allocation and management'. This way of thinking goes beyond simply accepting that some activities and costs have to be shaved, but rather trying to get people at all levels to think automatically about the relationships between finance, capability and the resources needed for day-to-day activities.[16]

In other words, until those who are in charge of both day-to-day and longer term management in the three Services can find ways to get people to understand the individual implications of spending—in the same way as they might, say, see the individual implications for training and career development—it will be simply re-fighting the issue repeatedly on the surface. Again, the right kind of leadership is likely to be far more effective in promoting such an approach than any number of 'programs'.

'Integration' is another area of concern about 'people' in the White Paper. The term is used, for example, in terms of the 'Total Force Employment Model',[17] which is to develop flexible career pathways, competitive remuneration and benefits, and workplace flexibility to assist in the movement between the permanent and reserve components of force. Similarly, the White Paper states the government's intention of "continuing implementation of shared service arrangements" to remove duplication and to streamline processes.[18] All well and good, but the 'integration' concept has a broader and more important use than seems to be recognised in the White Paper. This relates to the opportunities for greater integration of similar intra-Service skill and employment sets, such as Intelligence and Transport, so that they can be used more flexibly across the inter-Service domain. While each Service had been prone to pleading for maintenance of their distinctive version of each such category group, it was apparent during *The Chiefs* interviews that those at the top now have a more realistic and hard-headed approach to this practice, and are looking for opportunities for integration. The benefits will be related not only to efficiency but will also offer the opportunity for greater individual career flexibility.

The final area of concern is about how the ADF is going to adjust— organisationally, professionally and mentally—to the impending era of seemingly low operational tempo. The keyword in the previous sentence is 'seemingly'. While those currently leading the ADF are rightly apprehensive about the adverse consequences of a long hiatus similar to that experienced after Australia's withdrawal from the Vietnam War, a low threat environment in the foreseeable future does not seem particularly likely. The world and our region is a much more uncertain place now, and the ADF—particularly

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[16] Jans, Mugford, Cullens and Frazer-Jans, *The Chiefs*, pp. 76-80.
[17] Commonwealth of Australia, *Defence White Paper 2013,* paras 10.9-10.
[18] Ibid., para 10.6.

the Army—will need to be ready for an increasingly range of complex contingencies.

However, if this is a potential problem, it has a definite upside. The contemporary ADF is significantly more professional and capable than the ADF of four decades ago. With the right kind of leadership and thinking— and *The Chiefs* and other studies[19] produce evidence of such leadership— the ADF has a great opportunity to use the impending hiatus, however short it might be, for the opportunity to reorient and revitalise training and career development in exciting and satisfying ways. However, there is no particular evidence that the Wide Paper recognises this as an aspect that needs explicit attention, nor explicit resourcing for such programs.

As the Service that will be required to exhibit the most flexibility and versatility, the Army is likely to be the most affected in this respect. It in particular needs to look closely at its leadership development programs to ensure that they are as rigorous, challenging, imaginative and integrated as they need to be. In this way, it has a good chance of turning an impending problem into an opportunity. Upgrading the individual and collective requirements for military education and training will provide plenty of challenges for members at all levels, not just for their leaders. However, quality training needs imaginative design and adequate resourcing and, almost as importantly, appropriate guarantees of continuity of resourcing. In this context, one fears that Army training—and perhaps even that for the other two Services—might be a casualty of the inevitable resource hungriness of high-tech and expensive capability development programs.

Conclusions

The intentions enumerated in the 2013 White Paper are timely, appropriate, and sensible, and will no doubt be welcomed by Defence Personnel's senior leadership team. They will be the foundation for continuing with the upward trajectory that people management has followed over the past half generation.

But there is a risk that Defence may overlook the opportunities offered by adopting basic, common sense ways of doing things—within areas such as career management/job rotation, team design and leadership development— as the engine room for organisational improvement, rather than relying on the initiation of further 'programs'.

As with any other institution, the ADF's biggest weaknesses are the shadow side of its very strengths. Pragmatic and practical like the nation it serves, it is often pragmatic to a fault. However, its fundamental strengths stem as

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[19] N. A. Jans, 'Careers in Conflict 21C: the dynamics of the contemporary military career experience', paper presented at the biannual conference of the Inter-University Seminar for Armed Forces & Society, Chicago, October 2009.

always from its people and its people systems. In this sense, imaginative strategic leveraging of personnel and training activities can be used to counter some of the institutional malaise that might arise from the prospect of lower operational tempo and a more nebulous threat. In this way, what many currently see as a problem can be turned to the ADF's advantage. With the right leadership and the right people systems, the ADF will continue to exhibit the qualities and opportunities that will be major sources of capability and member engagement and satisfaction.

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Defence Industry and Innovation Policy

Robert Wylie

In addressing defence industry policy, the 2013 White Paper reaffirms well established themes that need revisiting in the light of changing economic, strategic and technological circumstances: The strategic importance of a local defence industry base; the economic constraints that preclude materiel self-sufficiency; Defence use of open and effective competition to achieve value for money in procuring goods and services; and the linkage between of local industry involvement in upstream procurement and local industry's capacity to support ADF equipment downstream in service. Maturing initiatives like the Priority Industry Capabilities and the Australia-US Defence Trade Treaty are platforms for future defence industry policy development, which will also be affected by growing awareness of the link between innovation and productivity, and potentially far reaching changes in the Defence Science and Technology Organisation's research priorities.

This review of the defence industry and innovation policy element of the 2013 White Paper is arranged in three sections: The first section analyses familiar themes in light of contemporary developments. The second section explores the defence industry policy consequences of the promulgation of Priority Industry Capabilities (PICs) and the entry into force of the Australia-United States Defence Trade Treaty. The third section assesses the implications for defence industry of the 2013 White Paper's treatment of innovation, and of the shift in Defence Research, Science and Technology Organisation (DSTO) research priorities.

Familiar Themes and Contemporary Realities

Like its predecessors, the 2013 White Paper reaffirms certain basic policy parameters which, when juxtaposed, highlight the fundamental tensions in Australian defence industry policy. Such tensions include:

- The White Paper's affirmation of the vital role played by a competitive, efficient and skilled Australian defence industry in helping Defence achieve its strategic objectives, while at the same time insisting on benchmarking the risks and benefits of more developmental or bespoke procurement proposals against off-the-shelf solutions imported from overseas;

- The White Paper's recognition of, on one hand, massive structural changes in global defence industry that have continued since the end of the Cold War and, on the other hand, the economic constraints resulting from the size of the Australian population and industry base that preclude total self sufficiency in all possible defence industry capabilities; and

- The White Paper's emphasis on fostering collaborative partnerships between Defence and local industry, while at the same time insisting on open and effective competition wherever possible in order to ensure value for money.[1]

THE ROLE OF AUSTRALIAN DEFENCE INDUSTRY

Generalised references to the strategic importance of Australian defence industry tend to mask the specific contribution made by that industry to the principal tasks performed by the Australian Defence Force (ADF).[2] Policy and public attention tends to focus on Australian industry involvement in major capital equipment projects like the Future Submarine Program, which the White Paper bills as the "largest and most complex project ever undertaken in Australia's history" and as "a true nation building endeavour".[3] This sort of language is unhelpful, at least in defence industry policy terms, because the ensuing debate over industry involvement in such major procurements tends to eclipse the role played by Australian industry in underpinning ADF preparedness.[4] The latter is now irreversibly dependent on Australian industry support as a result of past policy choices, labour market developments and technological change.[5]

Local industry support for preparedness attracts less policy and political attention than local industry involvement in construction. But it is local industry support for preparedness that increasingly determines the military options available to the Australian Government of the day. Action to foster local industry capacity to support preparedness, however, is blunted by the divergent incentives flowing from the way Defence has divided responsibility between the Service Chiefs (who, as capability managers, are accountable for preparedness) and the Defence Materiel Organisation (DMO), which is accountable for both acquisition and sustainment. These incentives warrant closer examination from a defence industry policy perspective.

ADF preparedness depends on, among other fundamental inputs, the standard to which its equipment is repaired, maintained and adapted. Globalisation of defence industry has combined with Australian policy to mean that repair, maintenance and adaptation of ADF platforms and systems is undertaken by a combination of Australian owned companies, local subsidiaries of overseas primes and original equipment manufacturers.

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[1] These juxtapositions are based on: Commonwealth of Australia, *Defence White Paper 2013* (Canberra: Department of Defence, 2013), paras 12.1-22.
[2] See ADF Principal Tasks and Australia's Military Strategy, in ibid., paras 3.30-60.
[3] Ibid., para 12.53.
[4] In this article, 'military capability' comprises force structure and preparedness. 'Preparedness' comprises readiness and sustainability.
[5] Robert Wylie, 'Supplying and Supporting Force 2030: Defence Policy for Australian Industry', *Security Challenges*, vol 5, no. 2 (Winter 2009), p. 119.

As ADF platforms and systems become more technologically sophisticated, however, local industry's capacity to repair, maintain and adapt ADF equipment downstream in-service depends increasingly on the quality of its involvement in the supply of that equipment upstream in procurement. Under current arrangements, DMO is responsible for the quality of local industry involvement in upstream procurement, and for the placement of the sustainment contracts under which local industry undertakes the repair, maintenance and adaptation of ADF equipment downstream in-service.

Clearly, sustainment is a critical input to preparedness. But the preparedness of ADF materiel and the sustainment of that materiel are different functions, performed by different agencies with divergent interests. Under Defence's current administrative arrangements, the linkage between the Capability Manager's preparedness activity and the DMO's sustainment activity depends on the Materiel Sustainment Agreement between them. Both Rizzo[6] and the Senate Foreign Affairs, Defence and Trade References Committee[7] suggest, however, that Materiel Sustainment Agreements need very substantial development if local industry involvement in sustainment is to be aligned with local industry support for preparedness.

According to the 2013 White Paper, the government expects the DMO to pursue deep and sustained reforms in response to the Rizzo and other reports. Such reforms include making:

> a stronger role for capability managers in procurement and sustainment processes in particular through formal Materiel Acquisition Agreements (MAAs) and Materiel Sustainment Agreements (MSAs)[8]

Revising MSA so as to institute a stronger role for capability managers needs to take into account not only the accountabilities of the parties involved but also their incentives. The DMO needs stronger incentives to use local industry involvement in upstream capital equipment procurement to foster local industry capacity to provide the standard of repair, maintenance and adaptation needed downstream by the capability managers in meeting preparedness goals.

In response to sustained and occasionally strident criticism of cost overruns, schedule slippage and performance deficiencies in the procurement of defence capital equipment, the DMO benchmarks procurement from local suppliers against military-off-the-shelf (MOTS) and commercial-off-the-shelf (COTS) solutions to ADF requirements for military capability. The 2013 White Paper reaffirms Defence insistence on stringent justification for any

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[6] Paul Rizzo, *Plan to Reform Support Ship Repair and Maintenance Practices* (Canberra: Commonwealth of Australia, 2011), p. 9.
[7] Foreign Affairs, Defence and Trade References Committee, *Procurement procedures for Defence capital projects – Final Report* (Canberra: Parliament of Australia, 2012), p. 130.
[8] Commonwealth of Australia, *Defence White Paper 2013*, para 9.21.

departure from MOTS and COTS solutions to defence materiel requirements.[9]

In principle, it makes eminently good sense to require the most stringent justification for any local production that entails cost, schedule or technical risk beyond that associated with MOTS or COTS solutions. In practice, however, organisational and institutional arrangements for judging the balance of merit for local industry involvement and the criteria used in doing so have direct implications for local industry capacity to support ADF preparedness.

The DMO is a prescribed organisation that defines procurement project success in terms of cost, schedule and technical performance. But as Rizzo observed in his seminal report on failures in managing the preparedness of Navy's support ships:

> The need for sustainment of assets is understood in Defence and the DMO, but it is not given the same rigorous attention as asset acquisition. Sustainment costs can exceed those of the original procurement and the challenges can be more complex.[10]

A prescribed DMO preoccupied with procuring capital equipment on time, to cost and as specified has little incentive to consider local industry's contribution to preparedness. Exhorting DMO to benchmark local procurement against MOTS/COTS solutions is at best simplistic. The policy task is judging the value to be accorded fostering the linkages between upstream Australian industry involvement in procurement and Australian industry capacity to support downstream preparedness. Under current administrative arrangements, attempts to contrive benchmarks against MOTS and COTS solutions risks distracting policy attention from the more demanding task of weighing the downstream value of local industry capacity to support preparedness against the upstream transaction costs inherent in providing for local industry involvement in capital equipment procurement.

In order to give DMO greater incentive to manage upstream procurement with an eye to fostering local industry's capacity to meet capability managers' downstream preparedness requirements, the MAAs and the MSAs need to move beyond their current focus on cost, schedule and equipment performance. These quasi-commercial but non-contestable purchaser-provider arrangements need to recognise more clearly the principal-agent relationship that exists between capability managers and the DMO. This means that MSAs and MAAs need to give much more explicit weight to the information asymmetries and divergent incentives inherent in such relationships. To this end the agreements need to assign DMO explicit responsibility for taking action to foster preparedness-oriented local industry

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[9] Ibid., para 12.8.
[10] Rizzo, *Plan to Reform Support Ship Repair and Maintenance Practices*, p. 8.

capacity, and oblige the DMO and capability managers to work together to define appropriate metrics for gauging local industry capacity to meet preparedness requirements. Finally, and in the absence of true market signals, DMO and the capability managers need to report on the preparedness outcomes of local industry involvement in sustainment both internally and in Defence Annual Reports.

STRUCTURAL CHANGE IN DEFENCE INDUSTRY

The 2013 White Paper alludes to on-going structural change in global defence industry and enduring economic constraints on what Australian industry can reasonably supply and support. But its assessment of the appropriate policy response to these imperatives is largely implicit.

Australian defence industry is dominated by eight prime contractors (Australian Submarine Corporation (ASC), Australian Aerospace, BAE Systems, Boeing, Raytheon, SAAB, Lockheed Martin and Thales) which together account for some 70 per cent of DMO expenditure on the acquisition and sustainment of defence equipment. Of the revenue the prime contractors generate by selling to the DMO, about 30 per cent flows to the estimated 3000 Small and Medium Enterprises (SMEs) in Australia's domestic defence industry base.[11] As the 2010 statement of defence industry policy has observed:

> The relationship between the primes and the SMEs is crucial. Defence needs strong relationships between these organisations to ensure that its capability needs are developed on time and on budget. The primes need to nurture and support the SMEs, which are a vital source of innovation and niche capability in the local defence marketplace. In turn the SMEs need a strong relationship with the primes to capitalise on their products and to use these relationships to gain access to the global defence market.[12]

The 2013 White Paper acknowledged the particular importance to SMEs of an assured flow of work. To this end, the White Paper urged SMEs to consider focusing on opportunities in the repair, maintenance and upgrade of Defence's existing platforms and systems which, given the current fiscal outlook, are set to increase.[13]

Simultaneously, the 2013 White Paper urges local companies, including SMEs, to look for business abroad:

> Internationally, the Australia in the Asian Century White Paper identifies opportunities for Australian business to contribute to and benefit from growing regional prosperity. Such opportunities can provide a broader

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[11] Minister for Defence Materiel and Science, *Building Defence Capability: A Policy for a Smarter and More Agile Defence Industry Base* (Canberra: Commonwealth of Australia, 2010), pp. 28-29.
[12] Ibid, p. 29.
[13] Commonwealth of Australia, *Defence White Paper 2013*, para 12.15.

market for Australian defence firms to sustain and grow the capacities that are essential for equipping and operation of the ADF.[14]

This proposition echoes the approach to defence exports advocated by the Australian Industry Group (AIG) Defence Council in its submission to the 2013 White Paper process. The Council recommended:

> exploring potential defence markets in South East Asia flowing from the expertise of our defence industry in adapting, repairing and maintaining defence equipment and its experience as a provider of a wide range of support services to the ADF—such as training, simulation, logistics and garrison support.[15]

The White Paper draws attention to some practical Defence initiatives that seem consistent with the Council's approach: Defence has established the Australian Military Sales Office to subsume previously separate functions related to disposals, exports, and the global supply chain. It will also introduce an Australian version of the US Foreign Military Sales system to facilitate government-to–government sales of defence equipment.[16]

Such initiatives warrant cautious welcome. Australia's previous defence export initiatives have yielded modest returns, however, and the key criteria for defence export support should be the contribution such exports make to ADF preparedness. Overseas sales of defence goods and services are a windfall for the Australian companies concerned. In fostering the capacity of Australian companies to support ADF preparedness at home, the DMO is establishing the pre-requisites for successful service-oriented exports along the lines envisaged by the AIG Defence Council.

Focusing more on preparedness would probably mean changing some current initiatives: We can all applaud local company success in gaining reportedly lucrative orders for composite doors and panels for the Joint Strike Fighter (JSF).[17] Such exports may well help advance the non-defence aerospace sector of the Australian manufacturing base. But they will do little to support the self reliant operation of the JSF in Australian service.

The same logic applies to the Global Supply Chain Program, launched in 2009. Under this program, Defence will pay its multinational suppliers $59.9 million over 2009-10 to 2018-19 to establish internal sponsors to promote Australian industry into their respective business units. The staff are supposed to actively seek out opportunities for Australian industry, to train Australian industry in the company's purchasing procedures and to educate

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[14] Ibid., para 12.6.
[15] Australian Industry Group Defence Council, *Why we need a more focussed Defence Industry Policy*, Submission to the 2013 Defence White Paper process, 2013, p. 6.
[16] Commonwealth of Australia, *Defence White Paper 2013*, para 12.40.
[17] See Asia Pacific Defence Reporter, 'JSF – Australian Industry Participation', 16 April 2010, <www.asiapacificdefencereporter.com/articles/1/JSF-Australia-Industry-Participation> [Accessed 11 June 2013].

Australian industry in the company's requirements.[18] To date, Defence has concluded agreements with Boeing, Raytheon, Thales, Northrop Grumman, Lockheed Martin, BAE Systems and Finmeccanica.[19]

Clearly, Australian companies participating in the program stand to gain substantial commercial benefit. Such participation also helps the Minister for Innovation, Industry, Science and Research advance the government's policy objective of fostering an internationally competitive, niche-based aerospace industry. But the Global Supply Chain Program seems unlikely to contribute materially to local industry's capacity to support the preparedness of ADF platforms and systems. In present financial circumstances, therefore, the $59.9 million Defence has budgeted for the Program would seem better spent on creating opportunities for SMEs to support ADF preparedness. This might start by reinvigorating the provisions for Australian industry involvement in defence major capital equipment procurement contracts. Such involvement might be linked to more rigorous preparedness metrics devised by DMO and capability managers and embedded in the enhanced MSAs discussed earlier in this article. This approach would favour the kind of service oriented exports advocated by the AIG Defence Council.

THE DEFENCE-INDUSTRY RELATIONSHIP

In discussing the relationship between Defence and industry, the 2013 White Paper drew attention to the new format in which defence procurement plans will be promulgated.[20] Such information is, obviously, a necessary condition for a sound relationship between Defence and industry, but more needs to be said about the institutional arrangements governing the transactions between the Defence customer and the industry supplier. As the 2013 White Paper indicates, these arrangements have been the subject of sustained management and political attention in recent years.[21] Key influences on the defence industry relationship include Defence competition policy and Defence contracting arrangements.

The 2013 White Paper's reaffirmation of long standing principles of open and effective competition belies the more nuanced arrangements Defence has implemented in naval support:

> Competitively tendering every major Fleet Unit repair and maintenance episode is inefficient. The disaggregation of the maintenance program places contractors in a stop-start routine generating start-up and wind-down costs for both the contractor and Defence. Putting every individual ship repair contract out to tender failed to secure value for money because the

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[18] Minister for Defence Materiel and Science, *Building Defence Capability*, p. 14.
[19] See Defence Materiel Organisation, 'Global Supply Chain Program',
<www.defence.gov.au/dmo/id/gsc/index.cfm> [Accessed 2 June 2013].
[20] Commonwealth of Australia, *Defence White Paper 2013*, para 12.20.
[21] Ibid, paras 9.20-25.

> lack of continuity prevented naval ship repair companies from investing in the infrastructure and workforce needed to deliver the best price.[22]

The naval support business model requires industry to compete for a limited market rather than insisting on competition within a limited market.[23] Defence might consider refining and extending this business model so as to create the incentives industry needs to invest in the capacity required to provide effective support to ADF preparedness.

Innovative contracting arrangements are pivotal to realisation of the White Paper's vision of a truly collaborative partnership between Defence and industry.[24] One such innovation is Defence's growing use of incentive contracts. These encourage suppliers to meet or exceed contracted performance, delivery, cost and/or quality requirements. The essential elements of an incentive contract include the target cost (which is Defence and the supplier's best estimate of what the cost will be when the work is done); a target fee (which is the amount of profit the supplier will earn without adjustment if the target cost is met); and a formula for determining how Defence and the supplier share excess cost or savings.[25]

In his study into the sustainment of the Collins class submarines, Coles recommended replacing the existing Through Life Support Agreement between ASC and DMO with an incentive based contract.[26] Recent improvement in Collins class availability has been attributed to early Defence and ASC implementation of this recommendation. However, as the DMO Chief Executive has reportedly acknowledged, successful incentive based contracting requires defence contracting officials and sustainment managers to exercise a particularly high level of business acumen.[27] The failure of an early version of a target cost incentive fee contract concluded between Defence and Telstra for the design, development and production of the Jindalee Operational Radar Network (JORN) is a graphic illustration of what happens when such business acumen is lacking.

For defence business managers to achieve the requisite level of business acumen, they will need far more than on-the-job training. More generally, the 2013 Defence White Paper shows little appreciation of the commercial incentives that motivate industry to make the investments required to take "a leadership role in delivering world class capabilities to the ADF."[28] To

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[22] Minister for Defence Materiel and Science, *Building Defence Capability*, p. 48.
[23] S. Markowski, P. Hall and R. Wylie (eds), *Defence Procurement and Industry Policy–A Small Country Perspective* (Routledge: London, 2010), pp. 118-119.
[24] Commonwealth of Australia, *Defence White Paper 2013*, para 12.17.
[25] Minister for Defence Materiel and Science, *Building Defence Capability*, p. 53.
[26] John Coles, *Study Into the Business of Sustaining Australia's Strategic Collins Class Submarine Capability* (Canberra: Commonwealth of Australia, 2012), pp. 35-36.
[27] L. Battersby and B. Butler, 'Defence Force says it lacks good business skills to deal with the US', *Canberra Times*, 8 March 2013.
[28] Commonwealth of Australia, *Defence White Paper 2013*, para 12.16.

remedy this, DMO and Defence may need to adjust the courses offered by, for example, the DMO Institute and the Capability and Technology Management College.[29]

Priority Industry Capabilities and the Defence Trade Treaty

According to the 2010 Defence Industry Statement, capacity in defence industry cannot be taken for granted and must be planned, built, managed and continually re-shaped.[30] As a monopsonist, Defence shapes local industry capacity directly through what business it does and how it does that business. Defence stands to exert more indirect but far reaching influence via its support for PICs and its role in implementing the Defense Trade Cooperation Treaty between Australia and the United States.

PRIORITY INDUSTRY CAPABILITIES

According to the 2013 White Paper, Defence will continue investing in PICs. PICs are those capabilities which confer an essential strategic advantage by being resident in Australia and which, if not available, would significantly undermine defence self reliance and ADF operational capability. After some dissembling[31] Defence announced the following PICs in 2009: Acoustic technologies and systems; Anti-tampering capabilities; Combat uniforms and personal equipment; Electronic warfare; 'High end' systems and system of systems integration; High frequency and phased array radar; Infantry weapons and remote weapons stations; In-service support of Collins Class submarine combat system; Selected ballistic munitions and explosives; Ship dry docking facilities and common user facilities; Signature management; Through-life and real time support of mission critical and safety critical software.

The primary focus of the PICs is support for the preparedness of the extant force in-being. For example, the high frequency and phased array PIC is primarily about the preparedness of, respectively, JORN and the ANZAC ships (via the latters' anti-ship missile defence system). PIC policy is notable for its evolutionary approach to defence industry capacity:

> the PICs reflect currently available technology and contemporary industry and market structure, strategic guidance, and Government demand—they are effectively a snapshot of Defence's capability priorities for domestic industry at this point in time. But technology and the ADF's capability needs change rapidly. Strategic guidance and demand patterns also change over time.

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[29] See 'DMO Institute', <www.defence.gov.au/dmo/id/dmoi/index.cfm> [Accessed 16 June 2013].

[30] Minister for Defence Materiel and Science, *Building Defence Capability*, p. 15.

[31] Defence industry can thank Paul Dibb for shaming Defence into public announcement of the PICs. See Paul Dibb, 'The Good, the Bad and the Ugly: Australia's New Defence White Paper', Speech to the National Press Club, 24 June 2009, p. 6.

> The PICs need to be regularly reviewed and updated to take account of these changes. This will occur through the annual classified Defence Planning Guidance. While some capabilities may be added to the PICs through this review process, industry should also expect that some current PICs will not need to be retained in the future.[32]

Defence's subsequent review of the health of each PIC clarifies how the PIC policy model will work in practice. The review was fundamentally about ascertaining whether government should intervene to assure PIC health and how it should do so.[33] Defence published the outcome of each PIC health assessment in commendably detailed fact sheets. For example, it considered the JORN element of the High Frequency and Phased Array Radars PIC unhealthy[34] and in response to this assessment, Defence intervened directly to support JORN-related industry capabilities through a series of bridging projects designed to ensure continuity of demand for Lockheed Martin Australia and BAE Systems,[35] who have invested in the on-going development of the highly specialised skills required to maintain JORN preparedness at the requisite level.[36]

THE AUSTRALIA-UNITED STATES DEFENCE TRADE TREATY
The 2013 White Paper also draws attention to the entry into force of the Treaty between the Government of Australia and the Government of the United States of America Concerning Defense Trade Cooperation. Curiously, the White Paper refers to the Treaty in terms of its utility to local exporters.[37] This potentially far reaching initiative warrants fuller treatment.

The Treaty came into force on 16 May 2013,[38] some six years after it was signed in 2007. This lag reflects the complexity of the adjustments required of the Australian Government and other Treaty stakeholders in meeting Australia's obligations under the Treaty, while at the same time securing its benefits. One such action is enacting the Defence Trade Controls Act 2012.

The Treaty aims to facilitate the diffusion of eligible defence goods, services and technology between members of an approved community of government agencies and companies without the need to apply for separate export

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[32] Minister for Defence Materiel and Science, *Building Defence Capability*, p. 42.
[33] See Defence Materiel Organisation, 'Priority Industry Capabilities',
<www.defence.gov.au/dmo/id/pic/index.cfm> [Accessed 14 June 2013].
[34] Defence Materiel Organisation, 'Priority Industry Capability Health Check 2013 – High Frequency and Phased Array Radars',
<www.defence.gov.au/dmo/id/pic/docs/PIC_FactSheet_HFPAR.pdf> [Accessed 14 June 2013].
[35] See Department of Defence, *Defence Capability Plan 2012* (Canberra: Commonwealth of Australia, 2012), pp. 99-101.
[36] Department of Defence, *Defence Materiel Organisation - Top 30 Sustainment Project Descriptions (Electronic Systems Products: Wide Area Surveillance*, Defence Portfolio Budget Statements 2013-14 (Canberra: Commonwealth of Australia, 2013), p. 180.
[37] Commonwealth of Australia, *Defence White Paper 2013*, para 12.44.
[38] See Minister for Defence, *Media Release – Defence Trade Cooperation Treaty comes into force*, 16 May 2013, <www.minister.defence.gov.au/2013/05/16/minister-for-defence-media-release-defence-trade-cooperation-treaty-comes-into-force/> [Accessed 14 June 2013].

licenses. The benefits of the Treaty should not be oversold: It does not cover the diffusion of numerous US technologies, access to which is critical to the ADF military competitiveness. Such technologies remain subject to case-by-case approval by the US State Department under the US International Traffic in Arms Regulations.[39]

In order to gain the benefits of this Treaty, Australia also undertook to join the United States and other like-minded countries in seeking to control the diffusion of sensitive technology in both tangible and intangible form. Australia already controls the export of tangible defence goods and goods with dual civil and military use under Regulation 13E of the Customs (Prohibited Exports) Regulations 1958. The Defence Trade Controls Act 2012, which was proclaimed on 6 June 2013, is intended to strengthen Australia's existing defence export controls by requiring licenses for the supply of sensitive defence and dual use technologies in intangible form, including by email, facsimile, and the internet.[40]

Sorting this out involves not only Defence but also the Tertiary Education, Skills, Science and Research Portfolio. Implementing the Defence Trade Controls Act will affect not only companies doing business in defence and dual use technologies but also universities doing advanced research. It will require balancing, on one hand, Australia's international obligations and national security requirements against, on the other hand, our trade interests, the competitiveness of our innovation and research and our ability to collaborate internationally. To this end the Act provides for a Steering Group, to be chaired by Australia's Chief Scientist, Professor Ian Chubb, to advise the Minister for Defence and the Minister for Tertiary Education, Skills, Science and Research on the

> adequacy of the organisational and governmental arrangements, and the identification, assessment and management of risks, costs, and administrative burden associated with intangible transfers of Defence and Strategic Goods list technologies [and w]hether the Act, the regulations, and the implementation arrangements are not more restrictive than United States export control regulations in relation to university activities.[41]

Historically, Australian universities have been less involved in defence research and development than their US counterparts. This may be about to change, with potentially significant implications for defence-oriented innovation in Australia more generally.

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[39] Robert Wylie, 'Facilitating Defence Trade Between Australia and the United States: A Vital Work in Progress', *Security Challenges*, vol. 4, no. 3 (Spring 2008), pp. 115-134.
[40] See Department of Defence, 'Frequently Asked Questions–Strengthened Export Controls', <www.defence.gov.au/deco/docs/FAQ_Strengthened_Export_Controls.pdf> [Accessed 14 June 2013].
[41] Ibid.

Innovation

The 2013 White Paper depicts defence innovation in expansive terms:

> The best innovation involves not just new or upgraded hardware, software capability, systems or individual platforms, but also improved business models and sustainment outcomes as well as a culture that fosters continuous improvement.[42]

Defence needs to build on and extend this comprehensive perspective of defence innovation in the forthcoming Defence Industry Policy Statement.

The Rapid Prototyping, Development and Evaluation Program, initiated to provide innovative solutions to urgent operational requirements warrants much closer examination as a model for larger scale experimentation in Defence/industry/university collaboration. Similarly, the Diggerworks program, modelled on the US Marine Corps' Gruntworks program, aims to upgrade soldiers' close combat capabilities through industry innovation, technological advances and in-house solutions. The key to Diggerworks is an experiment in adaptive acquisition designed to support the continual development, design and/or procurement of equipment to enhance the capability of the combat soldier.[43] The forthcoming Defence Industry Policy Statement might review the implications, particularly for SMEs, of the adaptive acquisition experiment for defence competition policy and defence contracting policy discussed earlier in this article.

Finally, the successful incorporation of CEA Technology's active phased array technology in the ANZAC ship anti-ship missile defence program is a particularly heartening development. It shows that Defence organisational and institutional developments have not eliminated the appetite for risk inherent in pursuing innovations like JORN and the NULKA anti-ship missile defence system. It demonstrates that Australia's defence innovation community, including its companies, its scientists in DSTO, its armed services, its capability developers, its equipment procurers and its politicians can go beyond identifying opportunities and to adjust organisational and institutional arrangements so as to realise those opportunities.

These broadly framed innovations need to be analysed and discussed in the forthcoming defence industry policy statement. Capturing the lessons learnt from potentially far-reaching innovation is rendered particularly urgent by the developments foreshadowed in 2013-2018 Strategic Plan for the Defence Science and Technology Organisation promulgated in April 2013. The Strategic Plan acknowledges resource constraints and hinges on shifting of DSTO investment towards emerging areas of higher priority. In broad terms,

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[42] Commonwealth of Australia, *Defence White Paper 2013*, para 12.29.
[43] DMO Land Systems Division, 'Brief to the Integrated Soldier System Branch Forum', 5 October 2011.

over the next five years DSTO plans to lift investment in cyber, surveillance and space systems and in autonomous systems by 5-10 per cent; sustain its current level of capability in electronic warfare, information systems and chemical, biological, radiological and nuclear technologies; reduce by 5-10 per cent its investment in overall propulsion and energy, platforms, and weapons; and reduce by 10-20 per cent its investment in human science and operations analysis.[44]

In general, the reductions foreshadowed by DSTO do not mean that Defence demand for scientific and technical support in these areas has lapsed. Defence will however need to look for support from other areas, including local industry and the universities. To this end, the DSTO strategic plan provides for a concerted effort to leverage the knowledge of external partners. Particularly important for present purposes is its commitment to working with industry in meeting Defence demand for sustainment.[45]

Conclusion

The 2013 White Paper subsumes important developments in both defence industry policy and in defence science and technology in the four years that have elapsed since the 2009 White Paper. The overarching characteristic of these developments, however, is that they have emerged 'bottom up', in the course of practical problem solving. The next step is to complement—not supplant—this bottom up policy development by forging clearer links to evolving strategic guidance. This is probably a matter for the next government, whatever its political persuasion.

In developing a strategy-led approach while capitalising on the progress to date, the architects of the next iteration of defence industry policy might start by aligning local industry involvement in sustainment with local industry support for preparedness. In doing so they might use Defence experience in developing PICs in support of the force-in-being to inform development of strategic industry capabilities geared to the requirements of the future force. In order to ensure policy for the development of strategic industry capabilities accommodated the evolution of defence capability, the policy might be framed in terms of a defence innovation system that brings into a single coherent framework strategic and operational knowledge, institutions governing the diffusion of technology, the demand for military capability and the business acumen required to meet that demand.

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[44] Defence Science and Technology Organisation, *Strategic Plan 2013-2018* (Canberra: Department of Defence, 2013), pp. 34-35.
[45] Ibid, p. 43.

Reform in Defence?
Governance, Decision-Making and
Policy Formulation

Ross Babbage

The 2013 White Paper talks a great deal about reform in Defence. It is notable, however, that the areas of reform that are discussed relate primarily to processes of accountability, planning, reporting, consultation and reviewing.   Some advances have been made in these fields. However, their effect has largely been to tune long-standing and well entrenched administrative systems.   Deeper strategic or root and branch reform to achieve world's best practice in efficiency and effectiveness is hardly mentioned. If Defence is to win the internal functional savings directed by the 2009 Defence White Paper, much more rigorous and thorough-going processes of reform lie ahead.

The Prominence of Reform in the 2013 White Paper

At first sight, defence reform seems to be accorded great weight in the 2013 White Paper. After all, in the foreword to the White Paper Defence Minister Stephen Smith states:

> The 2013 White Paper outlines an integrated reform agenda to embed in Defence at all levels the significant and wide ranging reform program which this Government has commenced in the areas of individual personal and institutional accountability, budget processes, procurement and capability and Defence conduct and culture.[1]

Then, in the first chapter of the White Paper, the strategic imperatives for maintaining the processes of reform are spelt out:

> To ensure that Australia is best positioned to manage the strategic transformation in the Indo-Pacific at a time of significant fiscal challenge, the Defence Organisation itself must continue to reform. To quote Defence's Pathway to Change: Evolving Defence Culture Program, "speed, discipline and clarity on operations needs to translate to all domains of Defence's work." This is essential for Defence to respond to (the) Government's priorities.   The systematic defence reform and transformation agenda initiated by the Government will be sustained and strengthened for this purpose.[2]

These are interesting words. Indeed, it may be appropriate to apply them as a template for assessing the effectiveness of the specific reforms that are

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[1] Commonwealth of Australia, *Defence White Paper 2013* (Canberra: Department of Defence, 2013), p. x.
[2] Ibid., para 1.18.

listed in the body of the White Paper. As with the 2009 White Paper, this White Paper devotes an entire chapter to Defence reform. The main points made in this chapter are as follows:

Strategic and fiscal developments since 2009 have reinforced the importance of transformational reform. Defence must be more agile and adaptive in responding to changing currents—technological, economic and strategic.[3] The reform program is focused on closing the gap between the Government's defence aspirations and the resources available to implement them.[4] Key steps include making the right decisions in shaping capabilities and delivering them on time and on budget. It is also important that Defence be streamlined and efficient to eliminate waste and ensure that maximum funding can be directed to defence capability.[5]

Effective Defence reform requires strong personal and institutional accountabilities, unity across the Defence Organisation and the removal of barriers that prevent personnel contributing to their full capacity.[6] The government reports 'significant progress' in implementing seven categories of reform since 2009, including some $3.3 billion cost reductions in Defence's operating budgets during the first three years of the Strategic Reform Program. In addition, there have been improvements in capability and productivity.[7]

But strategic transformation of Defence is not just about achieving efficiencies. It is about transforming the way Defence does business. In response to the findings of each of the reviews into Defence's culture and the Review into the Treatment of Women in the Australian Defence Force (ADF), Defence is implementing over five years Pathway to Change: Evolving Defence Culture.[8] Defence will build on important personnel reform initiatives including New Generation Navy, the Army Cultural Framework and the Air Force New Horizon Program.[9]

Defence is implementing a new Corporate Plan and a new Defence Annual Plan so as to improve defence strategic planning and set out key priorities for the next five years. It is also implementing a new Defence Enterprise Risk Framework that establishes the material risks to Defence for achieving outputs set by Government and puts in place controls necessary to reduce the likelihood and consequences of risk.[10] Significant reform of the preparedness management system is underway to achieve greater

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[3] Ibid., para 9.2.
[4] Ibid., para 9.3.
[5] Ibid., para 9.3.
[6] Ibid., para 9.4.
[7] Ibid., para 9.7.
[8] Ibid., para 9.17.
[9] Ibid., para 9.18.
[10] Ibid., para 9.9.

alignment between Government guidance, preparedness goals and ADF activity levels.[11]

The Black review of the Defence Organisation's accountability framework recommended reforms to personal and institutional accountability; planning and decision-making; performance management; accountability and contestability in capability development; defence committees; financial management; the delivery of services across different parts of the Defence Organisation and skills development. Some changes have been made in these fields.[12]

Shared Services Reform is focussed on realising workforce reductions and increased process efficiency in corporate functions such as information and communication technology, finance and non-materiel procurement without reducing service standards in support of operations or capability development. Accountability for driving the greater uptake of a shared service delivery model within the accelerated timeframe has been assigned to specific senior Defence officers.[13]

Continuing to improve the relationship between Defence and industry is one of the most important components of the Government's transformation agenda for Defence. Key elements of these reforms within the Defence Materiel Organisation (DMO) have included:

- Greater accountability in procurement and sustainment including through Project Directives and Quarterly Personal Accountability Reports;

- A stronger role for capability managers in procurement and sustainment through formal Materiel Acquisition and Sustainment Agreements;

- Expanded use of Gate Reviews;

- Establishment of the Independent Project Performance Office;

- More DMO input prior to first and second pass consideration of acquisition and sustainment projects;

- The Chief Executive Officer of DMO providing independent advice to Government on acquisition cost, schedule, risk, etc.;

- Reforms of ship repair and management practices; and

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[11] Ibid., para 9.10.
[12] Ibid., para 9.12.
[13] Ibid., para 9.14.

- More focussed attention on remediating problem projects.[14]

Over the last decade the DMO has reduced the average time to deliver capital projects by about 25 per cent, so as to be broadly comparable with the private sector.[15]   The Defence Reform Board, chaired by the Chief Operating Officer as the decision-maker, and supported by the Vice Chief of the Defence Force and the Chief Executive Officer of the DMO, will integrate effort not only for the Strategic Reform Program but also other applicable major defence reforms.[16]   The Minister for Defence intends to provide an annual report to Parliament on Defence's progress in implementing its extensive reform program.[17]

The Primary Drivers of Reform

If the issues listed above are the primary Defence reform themes discussed in the White Paper, why are these issues given such prominence?

For at least two decades defence ministers, senior officials, industry leaders and external commentators have noted the potential for the administration of the Department of Defence to be made more efficient and effective. Numerous reviews and reports have been prepared, many reform projects have been launched and in some parts of the Defence organisation significant progress appears to have been made. However, because of the complexities of measuring advances in reform, the real extent of this progress is difficult to determine.

When the 2009 Defence White Paper was being prepared, then Defence Minister, Joel Fitzgibbon, and other relevant ministers were keen to accelerate the processes of reform. In consequence, that document placed unprecedented emphasis on accelerating change through the new Defence Reform Program. The then government directed that the Defence Reform Program would yield some $20 billion in savings during the following decade, for reinvestment on capability priorities within the Defence portfolio.[18]

In the period following the 2009 Defence White Paper the government abandoned the spending commitments made in that document. Indeed, in 2010-11 it cut the defence budget by almost 5 per cent and then in 2012-2013 it cut defence spending again by 10.47 per cent. This reduced Australian defence expenditure to 1.56 per cent of GDP, the lowest it had been since 1938.

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[14] Ibid., paras 9.20 and 9.21.
[15] Ibid., para 9.24.
[16] Ibid., para 9.29.
[17] Ibid., para 9.32.
[18] Commonwealth of Australia, *Defending Australia in the Asia Pacific Century: Force 2030* (Canberra: Department of Defence, 2009), para 13.3.

These on-going spending cuts did not, however, impact evenly across the Defence portfolio. Indeed, the government directed that one of the three main categories of defence expenditure—that of personnel funding—was to remain largely untouched. The number of uniformed personnel in the permanent force was to remain at about 59,000 and only modest trimming was to be made to the 22,000 civilian workforce.[19]

There was also very limited scope for cutting the second category of defence expenditure, that which is spent on operations and exercises. With Australia conducting combat operations in Afghanistan and also significant operations in East Timor, the Solomon Islands and in Australia's maritime approaches, there was little appetite for reducing the quality and level of support for forces in the field.

This meant that the primary weight of the budget cuts has fallen on the third category of spending, that allocated to system acquisition and sustainment. Some new equipment programs have been cancelled, many more have been deferred, the scale and complexity of numerous projects has been reduced and planning has commenced to operate many systems far beyond their normal retirement dates.

An important consequence has been to further increase pressure on Defence to accelerate meaningful reforms in order to free-up resources for reallocation to the dwindling acquisition and sustainment budgets. The primary driver has been to retain as many as possible of the new systems that were promised in the 2009 White Paper.

Achievements

What then can be said about the progress that has so far been made in Defence reform?

First, it is obvious that Defence reform has secured the attention of successive defence ministers and even prime ministers. This, in itself, is an achievement because it provides a platform for the National Security Committee of Cabinet to give the issue a degree of priority. Achieving this serious political interest and attention can have the effect of empowering senior officials and Defence Force leaders to challenge established habits of behaviour and press ahead with reform initiatives.

Second, it is reasonably clear that the quality of some management processes in Defence has improved. Perhaps this can be seen by the improved metrics achieved in some of the DMO's operations, in the performance of the Department in supporting forces deployed overseas, in the improved operational availability rates of some Defence systems, such

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[19] Commonwealth of Australia, *Defence White Paper 2013*, paras 10.4 and 10.6.

as the Collins Class submarines, and in the reduction in the number of senior committees within the portfolio.

Third, as noted earlier, Defence claims that some $3.3 billion in cost reductions has been won from operating budgets during the last three years. Exactly how this figure has been determined remains unclear and there may be grounds for questioning some aspects. Moreover, even if this figure for cost savings were confirmed it would suggest that the processes of reform are running below the pace that was specified in the 2009 Defence White Paper. In that document the government directed that Defence save some $20 billion by 2019.[20] Assuming that many of the 'low fruit' of Defence reform have already been harvested, the Department will need to accelerate the current rate of advance if the reform goal set in 2009 is to be achieved.

Disappointments

It should be noted that when the 2013 White Paper discusses reform within the portfolio it frequently refers to the Defence Reform Program or the defence reform process. These are, themselves, interesting descriptors. Even a cursory review of the main elements of reform summarised earlier in this chapter highlights the fact that much attention is being given to new and expanded processes. There are many new processes of planning, of reporting, of consultation, of reviewing, of accountability, etc. However, much less attention is being given to what might be called root and branch reform.

This raises a fundamental issue that is glossed over in the 2013 White Paper. What precisely does the government mean by defence reform? My view is that the core of defence reform is devising ways of providing those functions that are essential for high quality ADF performance in the most cost-effective manner possible. If that is the goal of Defence reform, then tweaking long-standing Defence systems, processes and capabilities with new reporting, accounting or reviewing processes will frequently amount to tinkering at the margins.

Many reforms listed in Chapter Nine of the 2013 White Paper describe modifications to, and expansions of, long-standing processes that have been employed within the portfolio for decades. Rarely does it appear that more basic questions have been addressed. What precisely is it that the Defence Force needs in this area? Is its supply critical for Defence Force performance? If it is not critical, why is the function performed at all? If the function is a high priority, how much does the Defence Force need? When does it need it? What alternative ways are there for providing this need? What is their relative cost-effectiveness? What represents world's best practice in delivering this type of capability? How do other corporate

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[20] Commonwealth of Australia, *Defending Australia in the Asia Pacific Century,* para 13.3.

organisations deliver such needs? What savings and quality improvements can be attained by delivering the required outputs in new ways? The White Paper gives little indication that the basics of such root and branch reform have been addressed rigorously, except possibly in parts of the Shared Services Reform program.

In order to progress this type of deeper reform the government will, first, need to give it higher priority. Second, the government will need to work with the Department's leadership to review carefully the priority outputs of the organisation and whether current structures and systems represent world's best practice for their delivery. Third, there is a need to foster stronger analytical skills and processes in order to strengthen the quality of the Department's key decisions and other core outputs. And fourth, there is a need to properly empower the senior output managers to manage.

More specific doubts arise about the effectiveness of current reform efforts when one considers the progress that has been made in fields that the White Paper itself identifies as being critical to defence efficiency and effectiveness. For instance, the White Paper says that one key feature of a world-class defence organisation is "making the right decisions in shaping capabilities and delivering them on time and on budget".[21]

Making the right decisions in shaping capabilities is obviously critical if the government is to be certain that the ADF will possess the capabilities needed to successfully defend Australia at some time in the future. Making the right capability development decisions is also fundamental to assuring Australian taxpayers that their money is being spent wisely. However, it is difficult to argue that this has been achieved in the Department of Defence in recent years for several reasons.

First, the White Paper's discussion of the developing security environment and the potential defence challenges to Australia is remarkably thin and overlooks many factors of importance. This White Paper barely touches on the disturbing pattern of rapid military growth, the real state of regional tensions, the assertive use of military, intelligence and cyber capabilities and the serious implications for the types of security challenges that Australia may face during the next forty years. In obvious efforts to avoid any foreign offence, this White Paper fails to provide honest guidance for ADF developers concerning the security challenges Australia may face in the period ahead. If, as the White Paper states, a key feature of a world-class defence organisation is "making the right decisions in shaping capabilities", the fact that the discussion of the developing security environment is so thin suggests that one of the key functions of the Department still requires reform and strengthening.

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[21] Commonwealth of Australia, *Defence White Paper 2013*, para 9.3.

Second, the 2013 White Paper expresses little coherence in discussing the defence strategy or the 'game-plan' for how the country is to be defended in the event of future security crises. This weakness is partly a consequence of the failure of the essential background contingency gaming and other planning processes that need to be completed prior to writing every White Paper. During 2012 this vital Force Structure Review process was stillborn and failed to produce the robust analyses and clear guidance that are required. The bottom line is that in the absence of a rigorous process of contingency gaming and analysis of alternative force structure options, it is impossible to conclude with any credibility that the right decisions on future capabilities have been made. Indeed, it is almost certain that at least some of the right decisions have not been taken. This is a fundamental failure not only of defence planning but also of defence reform. Not only is the system not working but it has not been fixed.

A further weakness in the discussion of Defence reform is that it gives no indication that Defence is addressing in any critical manner the full costs of delivering the organisation's essential outputs. Symptomatic is that nowhere does the chapter on reform indicate that a major restructure of a key function has brought a 20% or 30% reduction in costs and the delivery of higher quality outputs in shorter timeframes. Nowhere are we told that Defence has reviewed the inefficiency of the long-standing process of delivering a certain output and decided to contract that function out to a commercial provider, with time and cost efficiency improvements now delivering world's best practice. Until a Defence white paper reports these types of advances, the processes of Defence reform will appear half-hearted.

The Future Trajectory of Reform

In summary, the over-riding impression given by the White Paper's discussion of reform, governance and decision-making is that so far the emphasis has been on the tactical tweaking of long-standing processes. Steps have been taken to strengthen various forms of planning, reporting, accountability, consultation and review. However, there is very little evidence of a more thorough-going process of strategic root and branch reform. This suggests that the task of serious reform to achieve world-class levels of efficiency and effectiveness still lies ahead.

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