Department of Defence

Australia's Strategic Policy

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PREFACE

A Secure Australia in a Secure Region...

Australia's Strategic Policy establishes the future direction for Australian defence planning into the 21st century. It constitutes the key policy document in the Government's efforts to ensure that Australia has a modern, relevant military able to undertake successfully the range of challenging tasks that could be required of it in the years ahead.

The document is the product of the first strategic review conducted by a Liberal–National Party Government since 1979. It is our response to the great political, economic and technological changes which have taken place since then—changes which have transformed our strategic environment.

Those changes are described in detail in the Government's White Paper on Foreign and Trade Policy, *In the National Interest*. Readers will note a close similarity between the White Paper's treatment of Australia's security interests and the approach outlined in this document. That, of course, is no accident. It shows the comprehensive and coordinated approach this Government is taking to the management of Australia's security interests.

Australia's Strategic Policy covers those aspects of the Government's security policy which relate to the use of armed force in international affairs. The judgements in it reflect the Government's conviction that to prosper in the very demanding environment now emerging in the Asia–Pacific, Australia needs a strategic approach which takes full account of the new challenges we face. Moreover, Australia needs an approach which explicitly reflects the full breadth of our security interests. Australia's strategic interests do not begin and end at our shoreline. The interests of future generations of Australians will not be served by encouraging an isolationist mentality at a time when international inter-dependencies are increasing.

The security of Australia is, and should always remain, the paramount concern of our national strategic policy. Maintaining confidence in our ability to defeat an attack on Australia is, in a sense, the focus of all our defence activities. But obviously, developments in our region determine the possibility of Australia coming under military threat. It would be a serious miscalculation to think we could remain unconcerned behind some illusory 'fortress Australia' if the strategic environment in the Asia Pacific were to deteriorate. Our aim must be: a secure country in a secure region.

The approach outlined in *Australia's Strategic Policy* is a practical way of achieving that objective. It represents a substantial evolution of national defence policy. It is

complemented in important ways by the earlier report of the *Defence Efficiency Review* which, under the leadership of Malcolm McIntosh, focused on measures to streamline the administration and support of the Australian Defence Force. This document takes that work further, by setting out a series of clearly articulated priorities to ensure that the money freed up by that streamlining is spent on the capabilities and activities that matter most. That is, the capabilities and activities which will do most to ensure Australia's future security from armed attack.

Together with the Defence Reform Program now being implemented as a result of the efficiency review, *Australia's Strategic Policy* provides the blueprint for taking Australia's defence into the 21st century. That blueprint sets out the rigorous priorities, and is characterised by the clear-sighted focus on outcomes, which Australia needs if we are to maintain both the ability to influence our security environment and confidence in our capacity for national defence.

The challenges in doing that are manifest. I hope this document gives all Australians a sound understanding of those challenges. But more importantly, I am confident it also provides reassurance that the Government is putting in place a strategic approach to ensure those challenges are met.

Ian McLachlan
Minister for Defence
Canberra
December 1997

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PART 1

Strategic Objectives and Environment

CHAPTER 1

INTRODUCTION: DEFINING THE TASK

This Review outlines the strategic policies adopted by the Government to respond to changes in Australia's strategic environment and promote the Government's wider international and security priorities.

This strategic policy has been developed in close coordination with the White Paper on Foreign and Trade Policy—*In the National Interest*—and is based directly upon the White Paper's judgments about the evolution of Australia's international environment, our national interests and our approach to protecting and promoting those interests. The strategic policy outlined here can therefore be seen as implementing key aspects of the White Paper's conclusions.

Strategic policy covers those elements of the Government's overall security policy which relate to the role of armed force in international affairs. The White Paper confirmed that, notwithstanding significant developments in the international community, armed force remains an important factor in international affairs. Active strategic policies are required to ensure that force is not used against Australia, and that if it is, it can be quickly and effectively defeated.

Strategic policy therefore serves a fundamental aim of wider security policy, which is to prevent or defeat the use of force against Australia and its interests. The policies set out in this paper conform to the conclusions in the White Paper. They include, first, the cultivation of alliances and friendships, the management of bilateral relationships and the promotion of an international environment, at both the global and regional levels, in which the use of force is discouraged. Secondly, our policy covers the development and, where necessary, the use of our armed forces.

Our armed forces are at the heart of our strategic policy. They contribute to our security from armed attack in many ways. They help us shape our environment, enhance the sense of security of our neighbours, support our allies and deter potential adversaries. More broadly, our armed forces contribute both to our national self esteem and our national standing overseas. Indeed, the quality and capability of our armed forces help to define the sort of country we are. Our forces say something about the way we see ourselves. They also influence the way others see us. Our armed forces enhance our confidence and sense of national identity, and thereby help Australians make an effective contribution to our region.

But the value of our forces in these ways is, in the end, simply a reflection of their capacity to perform their core task—to fight and win. Our strategic policy must, therefore, have at its core the task of developing defence capabilities which can, if needed, be successfully employed in any conflict in which Australia's interests are

vitally engaged. The policies outlined in this paper aim to provide Australia with the strongest possible defence force, optimised to our unique strategic needs, and at an acceptable cost.

This focus on armed force means that strategic policy, while it is carefully integrated within the Government's wider policies, nonetheless has a number of distinctive characteristics which set it apart from other aspects of policy.

First, of course, strategic policy-making must pay more attention than other parts of Government to the possibility that things may go wrong. Australia remains one of the world's more secure countries. We are confident that no country currently has either the intention or motivation to attack Australia. But circumstances could arise in future which would reduce our security from armed attack, threaten our vital interests, or directly imperil our peace and safety. We do not judge those circumstances as being likely to occur, but they are not implausible. Strategic policy must take such possibilities seriously, to ensure both that we do all we can to prevent them and that we are prepared should they nevertheless occur.

Second, in developing assessments of our future strategic environment, strategic policy needs to take a long view. Major strategic trends can unfold slowly, often taking decades to mature. It is these major trends that our strategic policy needs to recognise and respond to.

Third, strategic policy must plan a long way ahead. Key strategic decisions often take a decade to bear fruit, while their influence typically lasts for decades more. Planning, contracting, building and introducing into service a major platform like the new submarines takes well over a decade and costs billions of dollars. The skills required of personnel to operate new systems also take a long time to develop.

The decisions made by this Government over the next few years will significantly determine the capabilities of the Australian Defence Force (ADF) well beyond 2020. That means decisions must be based on judgments about the long-term trends in our strategic environment and how they affect Australia's durable strategic interests. The management of our alliances and defence relationships also requires a long-term view: they need to be nurtured and maintained over decades if they are to provide the support we might need in a crisis.

These features of strategic policy-making are reflected in this Review. It focuses on long-term trends and seeks to identify the durable interests which Australia's strategic policy must try to protect. It takes account of the dangers we could face, but it is not in any sense alarmist about our strategic circumstances. There is no apparent reason to expect that Australia will face armed threats within the next few years. But it is not a chance we should be prepared to take. And long-term trends are changing our strategic environment in ways which pose major new challenges to Australian governments in their management of Australia's strategic policy.

In the National Interest identifies the major trends which are likely to shape Australia's international environment over the next fifteen years. Of particular significance for strategic policy is the strong economic growth throughout most of East Asia in recent years. Economic growth in the region has many positive aspects for our security prospects, not least in the way it can encourage closer regional interdependence and constructive political change, while raising the costs for any regime that might contemplate using military force to achieve its objectives.

Despite current problems in the economies of some regional countries, there are strong prospects for continued economic growth in East Asia over the medium to long term. *In the National Interest* drew attention to the fact that as the economies of East Asia grow, Australia's relative economic standing in the region will decline. Economic strength is of course an important determinant of strategic weight. So that will affect our strategic weight in our region, and ultimately our capacity to defend ourselves. As economies in the region grow, we clearly face an historic challenge in maintaining Australia's relative strategic standing.

The scale of this challenge is already evident. While our defence budget remains large in regional terms, our budget has been static while the defence spending of some in the region has risen steadily. We need to respond by becoming more efficient in defending our country and interests, including the management of our Defence budget, and in being more efficient in the way we develop and maintain capability. But it also means being more careful about the types of capability we develop and the ways in which we use them.

New technology is one key to these efficiencies, and will be central to the evolution of the ADF in the years ahead. But there are limits to technology. Our capability will always depend on our people, and the ADF is already among the smallest forces in our region.

This paper proposes new ways to meet our strategic challenges. These will require, among other things, some clear decisions based on realistic assessments of our national interests.

To that end, we have reviewed the strategic policies which Australia has developed since self-reliance became a key feature of our defence policy in the 1970s. We have examined how trends and events throughout the Asia–Pacific region could affect our security from armed attack, how we can best defend our continent from attack, what contribution we can best make to the security of the region beyond our shores, and what all this means for the development of our defence capabilities.

This review addresses which military capabilities will most cost-effectively achieve our military objectives and how they can be developed and maintained most cheaply. It identifies the risks and trade-offs that will be involved in whatever decisions we take. And it focuses on the real strategic outputs and outcomes of our defence investment, rather than the inputs of dollars spent and numbers in uniform.


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CHAPTER 2

SETTING THE SCENE: AUSTRALIA'S STRATEGIC INTERESTS AND ENVIRONMENT

Australia's strategic policy is not directed towards meeting any particular threat or contingency. It aims to address the enduring fundamentals of our strategic situation. This Review therefore does not aim to predict specific circumstances in which we would be likely to need to commit our forces to combat.

Instead our strategic policy is built on an understanding of the enduring fundamentals of our strategic environment and the key long-term trends that affect those fundamentals. This will ensure that, when the unexpected occurs, we have the armed forces and the strategic relationships needed to protect our interests.

The purpose of this chapter is to describe our key strategic interests and objectives, and the fundamental trends in our strategic environment. Our starting point is the account of Australia's international environment and interests as articulated in *In the National Interest*. The key judgments in that document which underpin our strategic policy include:

- The centrality of the Asia–Pacific region to our security.
- The significance of economic growth in East Asia to our strategic environment.
- The challenge of new power relations which result from that growth.
- The special importance of the relationships between China, Japan and the United States for the security of the whole region.
- The unique place Indonesia has in shaping our strategic environment.
- The importance of maintaining, as an integral part of our wider international policies, a strategic posture which includes both the maintenance of effective defence capabilities and the maintenance of active involvement in regional strategic affairs.

AUSTRALIA'S BASIC STRATEGIC INTERESTS AND OBJECTIVES

The fundamental strategic outcome the Government seeks is to prevent armed attack or coercion against Australia. Our core strategic interests relate to those factors in our strategic environment which would increase the likelihood that Australia might come under direct attack, or erode our capability to resist such an attack.

Following this approach, Australia's key strategic interests in the Asia–Pacific region are to:

- help avoid de-stabilising strategic competition between the region's major powers;
- help prevent the emergence in the Asia–Pacific region of a security environment dominated by any power(s) whose strategic interests would likely be inimical to those of Australia;
- help maintain a benign security environment in Southeast Asia, especially in maritime Southeast Asia, which safeguards the territorial integrity of all countries in the region;
- help prevent the positioning in neighbouring states by any foreign power of military forces which might be used to attack Australia; and
- help prevent the proliferation of weapons of mass destruction in our region.

These interests will guide the development of our strategic policy, including the maintenance of our alliances, our support for US engagement in the region, the development of our bilateral strategic relationships and our participation in multilateral security institutions in the Asia–Pacific region. But they should not be interpreted narrowly. And we must be realistic about our capacity to influence outcomes even when they are highly important to us. Many of these interests can only be realised in close cooperation with other countries in the region. It is therefore important that these interests are widely shared with other countries in the region.

KEY FACTORS IN AUSTRALIA'S STRATEGIC ENVIRONMENT

Asia–Pacific Focus

Notwithstanding the pace of globalisation in other aspects of national affairs, Australia's principal *strategic* interests are today concentrated on the Asia–Pacific region. During the Cold War, and in the era of imperial defence which preceded it, Australia's strategic interests were closely bound up with a global balance of power. That is no longer the case. While we have important interests—including strategic interests—at the global level, the focus of our strategic attention is now more than ever on the Asia–Pacific region. For us, that region comprises the countries of East Asia, Southeast Asia, the South Pacific, the United States, and, perhaps increasingly in the future, South Asia.

This is not to argue that the Asia–Pacific region is unaffected by developments in other parts of the world. US strategic policy is clearly heavily influenced by global events. Moreover, Russia's strategic role in Asia will be influenced in significant ways by strategic developments in Europe. But more so than at any time in recent decades, the major strategic preoccupations of most countries in the Asia–Pacific now relate to other countries—and subregions—within the wider Asia–Pacific region.

This has direct consequences for Australia's strategic policy. In the 1970s and 1980s, Australia defined its *region of primary strategic interest* as Southeast Asia and the South Pacific. At that time, strategic events in Asia beyond that closer region affected our security only through their consequences for the global balance, rather than more directly.

That is no longer true. Today, our strategic interests are directly engaged throughout the wider Asia–Pacific region, because events beyond our nearer neighbourhood could have direct effects within it. This means that with the end of the Cold War our strategic interests are more focused on our region, but our strategic focus has expanded to cover the whole Asia–Pacific. Within this wider region, our security will be influenced by many factors. In this chapter we will consider only a few issues; our closest neighbours, the wider Asia–Pacific strategic balance, and the growth of military capability throughout the region. Other issues—including for example the continued development of Southeast Asia and the expansion of ASEAN—are also very important.

Nearer Neighbours

Notwithstanding our wider focus, Australia's most direct strategic interests continue to include the stability, safety and friendly disposition of the countries closest to us—the inner arc of islands from Indonesia in the west through to Papua New Guinea, the Solomon Islands and the Southwest Pacific. Any substantial military attack on Australia would most easily be mounted from or through these islands. Australia's relative safety from armed attack at present owes much to the common interests we share with these countries, and to freedom from external pressures on their sovereignty.

Indonesia

Indonesia has unique strategic significance for Australia. It is of course by far the largest country among our nearer neighbours. Its large archipelago covers much of Australia's strategic approaches, while its large population and regional standing have made it decisively influential in Southeast Asia's strategic and political environment. Its economy is already the largest in ASEAN and its longer term prospects, notwithstanding current difficulties, are for strong economic growth.

Within the next 20 years, Indonesia's economy will likely become the biggest in our closer region. Indonesia's gross national product will likely overtake Australia's in that same period, as will its defence budget. That will mark a turning point in the nature of Australia's relations with a region in which we have until now been the predominant economic and strategic power. As a result of this growth, Indonesia's strategic weight and political influence is likely to increase significantly in the years ahead. If Indonesia realises its potential, it could be one of Asia's four great powers in the 21st century.

Over the past thirty years, Indonesia has been a major positive influence on the security of our closer region and of Australia itself. After the turbulence of the late Sukarno era, Indonesia under President Suharto has done much to foster the region's

cooperative spirit of international relations, and has strengthened Indonesia's cohesion and prosperity.

In recent years the sense of shared strategic interests between Australia and Indonesia has grown. This has been reflected in the Agreement on Maintaining Security (AMS) signed between our governments in 1995. It will be important for

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Australia's security, and that of all of our region, that President Suharto's eventual successor maintains policies of regional cooperation. This will indeed become even more important as Indonesia's economic power grows, and its military capabilities expand.

Notwithstanding its strategic potential, Indonesia's armed forces are currently modest. Its air and maritime capabilities are being developed, which will allow Indonesia to better defend its archipelago from any external threat. This is in Australia's interests, because it makes it less likely that in the future any potential third power could mount attacks from or through the archipelago.

For all these reasons, Indonesia will be a key determinant of Australia's security in the years ahead. Its past and current policies have supported Australia's interests and there are many positive signs that this will continue. But there are also of course some inevitable uncertainties about the direction Indonesia will take when President Suharto eventually leaves office.

Papua New Guinea and the Southwest Pacific

Australia's basic geo-strategic interests in Papua New Guinea and the smaller island states of the Southwest Pacific are similar to the interests we have in Indonesia—to prevent their territory being used as a base close to Australia for attacks upon us.

These countries are among the smallest and in some respects the most vulnerable in the world. Their small populations and limited resource base have constrained their economic development, and have made it harder for governments to achieve social and political consolidation in the two to three decades since these countries became independent.

Among other things, the smaller island states of the Southwest Pacific face unusual security challenges. Their sovereignty is susceptible to relatively easy challenge from hostile non-government sources such as organised crime, and they are potentially highly vulnerable to concerted efforts by other governments to gain influence.

There is no evidence that any foreign government is at present seeking improper influence over any of the countries of the Southwest Pacific, nor is there much reason for them to do so in the future. But we have an enduring strategic interest in ensuring that no potentially hostile power achieves undue influence which undermines the sovereignty of our Southwest Pacific neighbours.

New Zealand aside, Papua New Guinea is the largest of the Southwest Pacific states by a large margin, and its mineral wealth offers good prospects for eventual prosperity. Nonetheless, Papua New Guinea faces some distinct challenges of its own, especially in the separatist struggle on Bougainville, and the risk that other parts of the country may also seek to split off from it. Bougainville has been a problem in our relationship with Papua New Guinea in the past; achieving a lasting peace on the island would serve important Australian interests. More broadly, Australia has a historical commitment and strong national ties with Papua New Guinea which give us an important stake in its cohesion and prosperity.

To serve our strategic interests in Papua New Guinea and the other Southwest Pacific countries—as well as fulfil our broader national responsibilities to them—Australia must be active in helping them meet their economic, security and social challenges. We are helped in doing this by the strong currents of goodwill and the network of connections between us. But we also face challenges as the largest power in the region in meeting expectations while not being seen as overbearing.

Nor can we achieve these outcomes alone. Ultimately it will depend on the peoples and governments of these countries to build themselves a secure and prosperous future. Their success or otherwise in doing so will be a significant factor in the shape of Australia's environment.

Northeast Asia and the Region's "Great Powers"

Beyond Australia's nearer neighbourhood, the most important influence on our security and on the stability of the Asia–Pacific region as a whole will be the development of relationships among the region's great powers, especially the United States, China and Japan.

Earlier post-Cold War uncertainty about America's strategic commitment to the Asia–Pacific has now been assuaged. US statements and actions have made it clear that it intends to remain closely engaged in the Asia–Pacific's strategic affairs, both for its own interests and to support wider regional stability. Moreover, it will retain the capacity to deploy decisive military power into the region if necessary. The pace of US technological developments means that, even at a reduced level of defence spending, the United States will remain by a large margin the strongest military power in the world.

This is important to the security of the entire region, including Australia. At the broadest level, America's strategic engagement in the region provides significant reassurance to all countries that armed aggression would be resisted. More specifically, America's strategic commitment to Japan and South Korea is very important in minimising tensions in Northeast Asia.

China is already the most important factor for change in the regional strategic environment. Sustained high economic growth, and commensurate increases in defence funding, combined with access to more modern technology, especially from parts of the former Soviet Union, have increased China's strategic capabilities. Its air and maritime forces, in particular, are being developed at a significant pace, albeit from a low base.

This expansion of China's military capabilities does not constitute a threat to Australia or to the security of the region as a whole. But China's growing power is an important new factor in our strategic environment, and it is not yet clear how that power will be accommodated within the regional community. Australia's interests are well served by a strong and growing China, that is active, engaged and influential within the region, as well as being prosperous and cohesive at home.

It would not be in Australia's interests for China's growing power to result in a diminution of US strategic influence, or to stimulate damaging strategic competition between China and other regional powers. Such competition is not inevitable, because the regional strategic balance need not be a zero-sum game. But there are some—in China and elsewhere—who are inclined to see it that way.

It is important for Australia that such perceptions do not grow. To avoid that, Australia and other countries in the region will need to work hard to convince Beijing that China's legitimate interests and growing influence can be accommodated within the current regional framework. China will need to work

hard to assure the rest of the region that its national objectives and the means it uses to achieve them will be consistent with the basic interests of its neighbours.

Japan's strategic policy has undergone a period of change since the end of the Cold War. This has coincided with a period of significant domestic political change which has encouraged more open thinking about strategic options and alternatives. Japan remains deeply committed to the US–Japan defence relationship as the foundation of its strategic policy, reflected most recently in the agreement on the guidelines for US–Japan defence cooperation. But Japan will look for ways to do more to increase its involvement and influence in regional strategic affairs, both in Northeast Asia and beyond.

One key factor in the development of relations between the region's great powers is the future of Korea. There remains a significant danger of war on the Korean peninsula. At the same time, the North's problems may make re-unification of the two Koreas a clear possibility in the medium term. Reunification would be welcome in reducing the chance of war. But it would need to be carefully managed to ensure that the emergence of a reunited Korea did not, in itself, create strategic tensions in Northeast Asia.

Russia's relations with China and Japan have improved significantly in recent years. Its sale of advanced military equipment has been assisting regional military modernisation programs, particularly in China but also in Southeast Asia. In the short term, the most significant impact Russia will have on the strategic affairs of the Asia–Pacific region will be through such arms sales, especially the associated transfer of technology to China. In the long term, despite its current political and economic difficulties, Russia retains the potential to play a significant role in the Asia–Pacific region.

Growing Regional Military Capability

The strong economic growth experienced throughout most of East Asia over the past two decades has been significant for the region's strategic situation. Overall, dynamic economic growth has had a positive and stabilising effect on the region. But sustained economic growth in the region has fuelled significant increases in defence budgets and military modernisation programs. Most ASEAN countries, for example, have made steady progress over the last decade in converting their militaries from largely ground-based forces—designed for counter-insurgency and internal security operations—to more balanced, conventional forces, typically with increased emphasis on the ability to monitor and protect offshore resources and interests.

Our strategic planning must take account of the likelihood that this trend will continue, notwithstanding that economic growth will likely fluctuate for a range of reasons. Overall we should expect that the economies of many countries in our region will continue over coming decades to grow strongly. We should also expect that defence expenditure will continue to grow strongly. This will, over time, increase the capability of regional defence forces.

Within Southeast Asia we see no country acquiring capabilities disproportionate to their legitimate needs. Moreover, a militarily-capable Southeast Asia will be better able to deter or resist any future security pressures. Nevertheless, military modernisation developments within the region will have an impact on the scale and intensity of combat which could be sustained, and will widen the range of military options available to governments. It is therefore significant for our force planning.

CHAPTER 3

STRATEGIC RELATIONSHIPS TO SUPPORT AUSTRALIA'S INTERESTS

Australia's strategic policy must function as an effective element of a wider national approach to international affairs which serves Australia's overall policy interests. Within that framework, our strategic policy will vigorously pursue opportunities to influence the regional environment in ways which reduce the risks of armed attack on Australia.

The dynamism of the Asia–Pacific region makes our task more complex than it has been in the past. The pace of economic growth in our region presents a combination of opportunities and challenges. Our national approach to the region must therefore have a number of elements which allow us both to exploit the opportunities and manage the risks presented to us.

These two objectives are not in themselves contradictory. Both require that Australia should engage closely in the region, building the widest possible network of relationships through which we can influence developments within the region. Both require us to encourage trends to an open, cooperative, interdependent region in which countries are free to make their own decisions, conscious of the interests of others. Both need to be approached primarily through bilateral relationships, using multilateral approaches where these are effective in achieving specific objectives.

In doing so, we start with significant assets. We are one of the closest allies of the world's strongest nation. Throughout the South Pacific and Southeast Asia, where our strategic interests are most immediate, we arguably have a stronger network of bilateral defence relationships than any other country, built up over many years. These bilateral relationships are supplemented by our active involvement in regional multilateral forums, which we have helped to shape. And finally we have one of the most capable and respected defence forces in the region. These assets are of course closely related, with the capability of the ADF providing an essential underpinning to our defence alliances and regional relationships.

Substantial as these assets are, they are no more than we need. As *In the National Interest* pointed out, our distinctive historical and cultural heritage can be both an asset and a factor that requires us to work harder than others to achieve objectives in the region. This chapter sets out the objectives and approaches we should adopt in managing our international strategic relationships in the region.

ALLIANCES

Australia's principal defence alliances, involving formal, reciprocal undertakings to act together in case of conflict, are with the United States and New Zealand. Those alliances, both formalised under the ANZUS Treaty, are now nearly fifty years old, and they reflect strategic and broader historical linkages which go back much further.

The US Alliance

Our alliance with the United States is by any measure our most important strategic relationship. It is a major strategic asset and its preservation and development is among our highest strategic priorities. The alliance is a complex relationship which operates at many levels and in many ways, including annual Ministerial-level consultations.

First, and most fundamentally, it is a *bilateral* arrangement. That bilateral aspect involves a vast web of day-to-day bilateral cooperation in the maintenance and development of our military capabilities, including intelligence cooperation, access to some of the most advanced military technologies, and intense service-to-service contact through training, exercises and visits. This cooperation provides Australia's forces with technology and information which is fundamental to our defence capability. It will become more important in future as we become even more dependent on exploiting technology—especially information technology—to maximise our capabilities.

Underlying this peacetime cooperation is the formal undertaking to come to one another's aid in a crisis—"would act to meet the common danger" as Article 4 of the ANZUS Treaty puts it. These undertakings do not amount to a guarantee by the United States of Australia's security. Indeed, the Treaty specifically requires each party to attend to its own capabilities. Nor does it amount to a promise to send armed forces in a crisis. But it provides a sound basis for us to plan on the expectation of substantial and vital non-combat support from the United States in a crisis.

Moreover, it makes the commitment of US combat forces to our defence sufficiently likely to figure in the calculations of any would-be aggressor. Nevertheless, we do not *assume* that such help would be provided. Indeed, such an assumption would be inconsistent with our self-reliant posture and our alliance obligations.

In one specific respect the alliance does provide a clearer expectation of US support—that is, defence against nuclear attack. While the risk of nuclear attack on Australia remains very low, the possibility cannot entirely be ruled out. In those circumstances we would rely on the extended deterrence provided by the United States to deter such an attack.

Regional Focus. Our alliance with the United States is based on a bilateral relationship, but it has a strong and important regional focus. For both Australia and the United States, the contemporary significance of the alliance rests as much on its value to regional security as on its bilateral role.

This regional focus has always been part of the relationship. It is explicit in the ANZUS Treaty itself, which obliges each party to help the other in the event of either coming under attack in the Pacific area. But for both parties the regional aspect has become more significant in recent years, as the US–Australia alliance has come to be seen by both sides as an important element in the post-Cold War strategic architecture in the Asia–Pacific region, helping to sustain US strategic engagement in the Western Pacific.

While the relationship is presently sound, we need to be active in managing the alliance and careful to avoid drift and complacency. The challenges in alliance management over the next few years will include sustaining our military capacity to operate with the United States by investing in necessary systems, and exploring new forms of practical cooperation—for example in the collaborative development of new systems and platforms.

New Zealand

Australia's and New Zealand's basic strategic interests converge strongly. No two countries have a stronger tradition of cooperative military endeavour to draw on. And both peoples more or less take it for granted that an attack on one would bring an automatic response from the other. This expectation is based on and reinforced by the ANZUS Treaty, which continues to provide a formal basis for the bilateral defence relationship.

The alliance is supported by the 1991 Closer Defence Relations (CDR) agreement which aims to foster closer consultation on defence planning between Australia and New Zealand, including on force structure development and operational compatibility of the respective defence forces. CDR also aims to promote the efficient use of resources within the alliance and foster continuing close dialogue and cooperation.

Clearly, we share with New Zealand a defence relationship of great breadth, including activities such as cooperative defence equipment projects, a squadron of New Zealand Defence Force (NZDF) A4 aircraft based at Nowra, a wide program of exercises and exchanges, and close and regular contact between policymakers.

Sustained commitment from both parties will help ensure an effective defence relationship. Moreover, credible and modern New Zealand capabilities would be useful in a number of operational settings. ANZAC ships would be a major asset,

while combat aircraft would be useful, including for close air support operations. Appropriately equipped, New Zealand's land forces would also make a valuable contribution.

New Zealand's level of defence funding—and its impact on NZDF capabilities—is a troubling aspect of the relationship, given our shared strategic interests. We are disappointed that New Zealand is not planning to maintain a higher level of naval capability, though we are pleased that defence spending will otherwise be increased. Clearly, the potential value to both New Zealand and Australia can only be realised through New Zealand's continuing investment in effective capabilities.

To that end, we will need to continue stressing the benefits of CDR and the alliance for New Zealand, including the formal commitments and reciprocal obligations embodied in the alliance. We will continue the high-level dialogue process to ensure open and frank discussions, and use such consultation to promote closer working defence relations. We will coordinate with New Zealand our respective cooperative defence activities in the region. And bilaterally, we will look for more ways to enhance our operational, logistic, procurement and training cooperation.

Old Friends

Our longstanding defence relationship with the United Kingdom remains a valuable strategic asset to Australia, although it is not an alliance in the sense that there are no undertakings to come to one another's help in a crisis. Britain is still a leader in many areas of defence technology, with substantial defence industry and research and development capability. It is an active and effective intelligence collector, and its forces are still among the best-trained and most effective in the world.

Cooperation comes easily between us because of the strong personal and historical links between our forces and defence organisations. And we are both active participants in the Five Power Defence Arrangements, with Malaysia, Singapore and New Zealand. For all these reasons we should ensure that this relationship remains of value.

PAPUA NEW GUINEA AND THE SOUTH PACIFIC

In the Southwest Pacific, Australia is an important power capable of exerting considerable influence. Our objective should be to maintain our position as the country with the strongest strategic presence in this region. Our primary long-term strategic interest is to prevent the positioning by any foreign power of military forces which might be used to attack Australia or its interests. Our strategic interests are served by strengthened habits of good governance in Pacific countries.

Papua New Guinea. Our strategic interests in Papua New Guinea are especially compelling because of its size, proximity and existing military infrastructure. We aim to maintain our role as Papua New Guinea's key defence partner. The Joint Declaration of Principles (JDP) reflects the expectation that Australia would be prepared to commit forces to resist external aggression against Papua New Guinea. But our interests are obviously better served if Papua New Guinea is able to manage its own affairs, within the context of establishing a sound foundation for future social and economic development. And the more capable the PNG security forces, the fewer the demands that would be placed on our own resources in any emergency.

Our bilateral defence relationship with Papua New Guinea has experienced difficulties in recent years. This government is firmly committed to rebuilding our relationship to effectively serve the strategic interests of our two countries.

Southwest Pacific. The same considerations that apply to Papua New Guinea are also relevant to our defence relationships and objectives in the Solomon Islands, Vanuatu and, with less force, to other more distant Pacific Island Countries (PICs). We should seek to maintain our position as the key strategic power and primary defence partner of island countries. Over the past few years we have achieved this primarily through the Pacific Patrol Boat program, under which we have provided a total of 22 vessels, together with the provision of Naval advisers to most PICs. This program gives us an important military presence and influence, which we aim to maintain.

We need to take account of the possibility that we could be called upon to provide substantial support to South Pacific countries in certain circumstances—for example, instances involving the breakdown of law and order. We will continue to contribute to preventive measures designed to build up national capacities for maintaining law and order, consistent with the practice of good governance.

More broadly, our approach to the security of the PICs should recognise that any attack on them—or penetration by a potentially hostile power—would be serious for our security and that, as with Papua New Guinea, we would very likely provide substantial support in the unlikely event that any of them faced aggression from outside the region.

SOUTHEAST ASIA

Today's Southeast Asia is a major contributor to Australia's security. It is a region of medium powers, strong and self-confident enough to resist pressure from without, cohesive enough to cooperate, and sharing broad approaches to regional affairs which closely parallel our own.

Our strategic objective is to help maintain these positive elements and do what we can to lay the foundations for further strategic cooperation to meet new challenges that may emerge. That means supporting and developing a sense of shared strategic

objectives with as many of the countries of Southeast Asia as possible. This should be done through both our bilateral relationships and multilateral approaches—including APEC and the ASEAN Regional Forum (ARF).

Managing defence relations with the countries of Southeast Asia to achieve these objectives is a complex task. Each relationship in Southeast Asia is different, with unique constraints and opportunities. And while we enjoy good defence relations with almost all of them, it would be wrong to assume they automatically share all our perceptions and priorities.

We have many strategic assets in Southeast Asia. Foremost among them is a set of strong bilateral defence relationships with nearly all countries in the region. In terms of access, contact, range of activities and volume of interaction, there is probably no country inside or outside the region which has a stronger set of bilateral defence relationships in Southeast Asia than Australia. In all our defence relationships in Southeast Asia we will continue the trend of recent years of moving away from the 'aid' elements of Defence Cooperation, to focusing more on strategic dialogue and interaction.

Indonesia is our most important strategic relationship in Southeast Asia. This is not just because Indonesia is our closest Southeast Asian neighbour, but also because its combination of population, territory, economic potential and political force makes it the most influential country in Southeast Asia, and potentially gives it a substantial role in the Asia–Pacific region as a whole.

Moreover, Indonesia is likely to have similar strategic perceptions on regional security. The AMS would suggest that Indonesia now sees its security interests and ours more closely aligned and is prepared to work with Australia in pursuing common objectives. This provides an important opportunity to strengthen further our relationship.

While the management of the defence relationship is somewhat complicated by the focus within Australia on ABRI's role in internal security, especially in East Timor, we need to resist efforts to make this strategically important relationship hostage to individual incidents—and close cooperation on a range of issues provides us with broad influence, including on human rights.

Rather, the focus of our defence relationship will be on a high-level strategic dialogue aimed at enhancing the sense of shared strategic interests. Other issues include practical cooperation in developing capabilities—especially in the maritime area, where our key interests lie—and the development of a degree of interoperability.

Malaysia and Singapore are our closest defence partners in Southeast Asia. We have bilateral relationships with both countries which go back to colonial times and the early years of independence when we played a key role in their security and the development of their defence forces.

These continuing close relationships are appropriate to our enduring strategic interests in the security of Malaysia and Singapore today. Malaysia is an outward looking nation, a leading member of the Five Power Defence Arrangements (FPDA) and of ASEAN. The ADF has a very long history of constructive engagement with Malaysia, bestowing practical benefits on both nations. Singapore's forces are the most advanced and effective in the region, making it a valuable partner for the ADF in terms of peacetime interaction. And our defence relationship has taken important new directions in recent years, especially with the establishment of substantial training facilities and activities in Australia.

FPDA remains an effective and valuable element of our regional defence presence. It embodies a clear commitment to support the security of Malaysia and Singapore in a crisis caused by external aggression—though that commitment is not reciprocal. Our commitment is reflected in the 1971 communique which established FPDA, and has been reinforced recently through the affirmation by all members that FPDA retains an operational role. It is also reflected in the scale of our support to the FPDA Integrated Air Defence System (IADS), including our provision of the commander for the IADS, and the presence of ADF units in Malaysia and Singapore for exercises.

This degree of commitment makes FPDA an effective symbol of the strength of our engagement in Southeast Asian security, and provides a framework to support NZ and UK defence involvement in the region.

Thailand occupies an important strategic position and has considerable strategic potential. It has, with Singapore, the largest defence budget in Southeast Asia, which it has used to buy some impressive equipment. Its armed forces are among the largest in ASEAN, and it supports the US presence in practical ways.

Bangkok looks to Australia for assistance in the modernisation of its armed forces. We will seek to encourage Thailand to regard its long-term strategic interests as being closely aligned with our own and continue our efforts to improve its interoperability with ADF forces.

The Philippines also occupies an important strategic position in maritime Southeast Asia. Our interests would be well served by a strong Philippines, given its commitment to democracy and history of non-threatening behaviour. It now has a growing economy and a nascent military modernisation program—although it still lags behind the East Asian tigers. As with Thailand, our aim should be to encourage the Philippines to regard its strategic interests as being closely aligned with Australia's, and to develop the ability for interoperability comparable to that we have with Malaysia and Singapore.

In the longer term, *Vietnam* has considerable strategic potential—its economy is growing rapidly and it is starting to modernise its military. We are working to lay the foundations now for a strategic relationship with Vietnam.

SOUTH ASIA

India, in particular, is assuming a growing strategic and economic importance in global and regional affairs. In the short term, however, it is unlikely that either India or *Pakistan*—with their largely sub-regional focus and their own internal security problems—will have a major impact on the East Asian security environment. Nevertheless, given the longer-term potential for these countries, particularly India, to play a more prominent role in the strategic affairs of the Asia–Pacific region, we will continue to work to develop a strategic dialogue with it. More specifically, we will encourage India to play a constructive role within the ASEAN Regional Forum.

NORTHEAST ASIA

China will remain one of Australia's key relationships, with our approach based on shared interests and mutual respect. These principles provide the basis for a realistic framework for the conduct of the relationship, and offer the best prospects to maximise shared economic interests, advance Australia's political and strategic interests, and manage differences in a sensible and practical way.

Clearly, the development of policies which serve our national interests while acknowledging China's political, economic and military growth will continue to be a major priority for Australia. Our policies and actions will seek to show China that the strategic outcomes we seek are consistent with China developing a key role on regional political, economic and security issues commensurate with its legitimate claims as an emerging major power. The best way we can do that is to encourage more high-level dialogue and contact between China's policy makers and our own to build better mutual understanding of each other's positions and outlooks.

We will continue to place emphasis on developing multilateral structures—like APEC and the ASEAN Regional Forum—which include China, engage it fully and potentially allow it to play a constructive leading role.

Japan. We have already taken significant steps towards developing strategic dialogue with Japan through the institution of political-military talks complemented by modest military-to-military links. Japan's strategic interests converge quite strongly with Australia's. We share with Japan an interest in continuing US engagement, the freedom of navigation in the region, and the avoidance of increased strategic rivalry between the United States and China.

South Korea also shares many of our strategic interests. As an increasingly confident and capable middle power, South Korea is likely to be of increasing significance to the strategic architecture of Northeast Asia over the next 10–15 years. Certainly, the convergence of major power interests on the Korean peninsula is likely to ensure that South Korea's profile in the strategic affairs of Northeast Asia will remain high, even if the threat from North Korea recedes.

As South Korea moves, in the longer term, towards a more independent strategic role in North Asia, we are building on the foundations we have established with the institution of regular consultations.

NEW MULTILATERAL APPROACHES TO REGIONAL SECURITY

Bilateral relationships will remain at the heart of our regional security diplomacy, but they are now being complemented by important multilateral activities. This is a relatively new element in the strategic architecture of the region which has the potential to help shape the regional security environment in a way which is conducive to our own strategic interests.

In a region characterised by political, economic and cultural diversity, as well as a lack of multilateral institutions generally, the formation of the APEC forum in 1989 and the ARF in 1994, represent a significant achievement.

Since 1994 the ARF has developed much faster than many initially expected, however it is still in its formative stages. Importantly, the ARF allows Japan, China and the United States to participate in a regional security dialogue; it allows Russia and India to play a constructive role in Asia–Pacific security, as well as giving other countries, including Australia, an additional avenue to influence regional security affairs.

In practical terms, the ARF is largely a forum for dialogue on regional security issues of concern. Nevertheless, the ARF blueprint sees the grouping evolving through three stages from confidence-building to preventive diplomacy to conflict resolution. And, at present, the ARF is still in the early stages of identifying measures which might be taken to contribute to the maintenance of broader regional stability.

Australia has played an important role in the development of multilateralism in the region. Our involvement has helped the ARF develop in ways that parallel our strategic interests, not only by providing a mechanism for fostering regional peace and stability, but by reinforcing the linkages between the United States and East Asia, engaging China in constructive ways, and providing opportunities for Japan to play a more active role on regional security issues.

Just as importantly, our active participation in the ARF enables us to demonstrate our engagement with the region and our commitment to regional security. It also gives us a say in the way the regional security environment is being shaped. For these reasons, we strongly support the ARF.

We would also note the important role of APEC in fostering regional peace and stability. Although security issues are not formally discussed at APEC, it is the one grouping which brings together leaders from across the Asia–Pacific, thereby

contributing to habits of consultation and dialogue, and the development of personal relationships which help strengthen trust and confidence between regional countries.

In the South Pacific, multilateral cooperation has a longer history. Australia supports efforts to commit the region to a comprehensive and collaborative approach in dealing with threats to the security, broadly defined, of South Pacific countries. These threats could include natural disasters, environmental damage and trans-national crime.

PART 2

What Factors Determine Capability Priorities for the ADF?

CHAPTER 4

WHAT TASKS DO WE NEED MILITARY FORCES FOR?

There are three basic tasks which could require the ADF to undertake combat operations: defeating attacks on Australia, defending our regional interests, and supporting our global interests.

DEFEATING ATTACKS ON AUSTRALIA

Defeating attacks against Australia's territory is our *core force structure priority*. The achievement of that aim involves much more than the development of the specific forces needed to defeat such an attack. In a sense, it is the focus of all our defence activities.

The possession by Australia of the forces needed to defeat any substantial attack on our territory by a regional power is the essential foundation of our wider posture. These capabilities are the ultimate guarantee that if all else fails, we can still answer force with force. They ensure that we are taken seriously by our neighbours and allies, and provide Australians with the confidence to participate effectively in the region—particularly in its strategic and security affairs.

Maximising our self-reliant ability to defeat attacks on Australia is important because this capacity is central to our overall strategic posture and, indeed, to our wider national self-image. It means that Australia will be able to use the ADF to defend our territory without relying on the combat forces of other countries. It does not mean developing national self-sufficiency across all areas of capability—in particular, it does not preclude reliance on overseas non-combat support, including intelligence and resupply in a crisis.

Such a self-reliant capability has been a central feature of our strategic posture since the 1976 Defence White Paper. The judgments in that document about its importance were not based on any likelihood of imminent threat to Australia. Rather, they were based on the importance Government attached to the responsibilities that go with national maturity, and an assessment that the threshold for direct US combat involvement in defeating a threat to Australia—outside of the context of a global war—could have been quite high.

Those judgments are no less relevant now. Australia must have the military capability to prevent an enemy from attacking us successfully in our maritime approaches, gaining a foothold on our territory or extracting political concessions from us through the use of military force.

This is the least that Australians should expect from their defence force. It is the yardstick by which others judge the ADF and, as such, underpins the influence we can exert on international security issues and the confidence with which we can engage—politically and economically—with the region.

But it does not mean isolationism; close regional engagement is an essential part of a self-reliant posture. Nor does it mean non-alignment; our alliances with the United States and New Zealand are strongly supported by our self-reliant posture. Indeed, our commitment to maintain forces sufficient to defend our territory is a key part of our responsibilities as an effective ally of the United States.

Nor does it mean that we adopt a purely defensive strategy—our self-reliant posture may require us to undertake highly offensive operations in defence of our country. And it does not impose a ceiling on our capabilities—rather it sets the irreducible minimum capability that Australia needs to maintain.

So the first task that our defence force must be able to perform is to defend our territory from any credible direct attack without relying on the combat forces of other countries.

Offshore Territories. The task of defending our territory is significantly extended by our offshore territories, specifically the Indian Ocean Territories of Christmas and Cocos Islands—both of which are of considerable distance from the Australian mainland. The overriding consideration is that they are Australian sovereign territory and home to Australian citizens, so serious consideration is given to their defence.

Other offshore territories, especially the Antarctic territories, which like the rest of Antarctica are effectively demilitarised under the Antarctic Treaty, require no special consideration in our defence policy, except for the need to be able to assist other agencies from time to time with surveillance and enforcement operations in the EEZs surrounding those territories.

The likelihood of a direct attack on Australia is at present very low. No country has any evident motive or intention to attack us and we know of no specific reason why such an intention should develop. Nonetheless, intentions can change relatively quickly, so defence planning must take careful account of the capabilities of other countries in assessing potential threats. Given the low likelihood of a direct attack on Australia our planning is not based on any specific source of threat.

It is a fact of geography that the only country with forces large enough, and close enough, to mount any significant military operation against Australia is Indonesia. Of course, this is not at all likely. Other regional powers, more remote from Australia, would find it hard to maintain any substantial or prolonged military pressure against us, unless they could operate from bases in the inner arc of countries within range of Australia. It remains very unlikely that any outside powers could gain

access to bases in Indonesia by force, or that Jakarta would allow others to base attacks on us from Indonesian territory. And no external power shows signs of wishing to gain military access to Papua New Guinea or any of the PICs.

Without access to near bases, more distant countries would largely be limited in applying sustained armed pressure on Australia to long-range, covert means, such as submarines or covertly-laid sea mines. Such pressure could pose potentially serious threats to our security and trade—and would be very demanding to respond to.

One particular possibility which we will need to keep under review is the potential threat to Australia from ballistic and cruise missiles. Their long range and relative invulnerability to conventional air defences make them a potential form of new threat to Australia. At present, Australia is within range of the ballistic missile forces of the five declared nuclear powers. And, in our region, India, Pakistan and North Korea have or are developing ballistic missiles. While none of those countries currently poses any threat to Australia, the proliferation of missiles within our region must be carefully watched.

Moreover, the potential dangers of missile proliferation are compounded by the possibility that they could be used to carry nuclear, chemical or biological warheads. There are at present no signs that weapons of mass destruction (WMD) are likely to proliferate in Southeast Asia. And all ASEAN countries are signatories or members of the Nuclear Non-Proliferation Treaty and the separate Chemical and Biological Weapons Conventions.

Those agreements are important to our security prospects and we will continue to attach a high priority to efforts to maintain and strengthen them—our reputation as a pro-active and responsible player in the negotiation of effective arms control agreements is an asset of great strategic significance.

Were proliferation to occur, it would pose a serious threat to regional and our own security. So, while this is not a matter of immediate concern, Defence should continue research into defence against WMD.

DEFENDING AUSTRALIA'S REGIONAL INTERESTS

Australia's security from armed attack depends on the strategic situation in our immediate neighbourhood and in the wider Asia-Pacific region. Australia's defence posture therefore must include the means to influence strategic affairs in our region.

Clearly, an important element is the wide range of peacetime tasks conducted by the ADF in the region. They include, for example, the extensive range of strategic dialogue and military-military talks, high-level contacts and visits, staff and student exchanges, two-way ship visits, training—at both the individual and collective

level—and the increasing schedule of exercise activities. Our aim is a network of regional defence partnerships, wherein regional countries develop a shared sense of strategic perceptions and objectives, and working levels of interoperability.

These peacetime activities are very important. But in planning Australia's force structure they are less significant than the possibility that we might wish to make a direct contribution to the maintenance of broader regional stability, in a future conflict in the Asia–Pacific region in which Australia's strategic interests were engaged.

That is a possibility because events in our region could increase the risk of armed attack against Australia, particularly if those events were to increase the possibility of a potentially hostile power gaining access to bases close to Australia. If such events threatened to occur, we would need to consider opportunities to work with others in the region to help prevent them. It would, in fact, be a significant failure of Australian strategic policy to allow a direct threat to Australia to develop if there had been opportunities to forestall it.

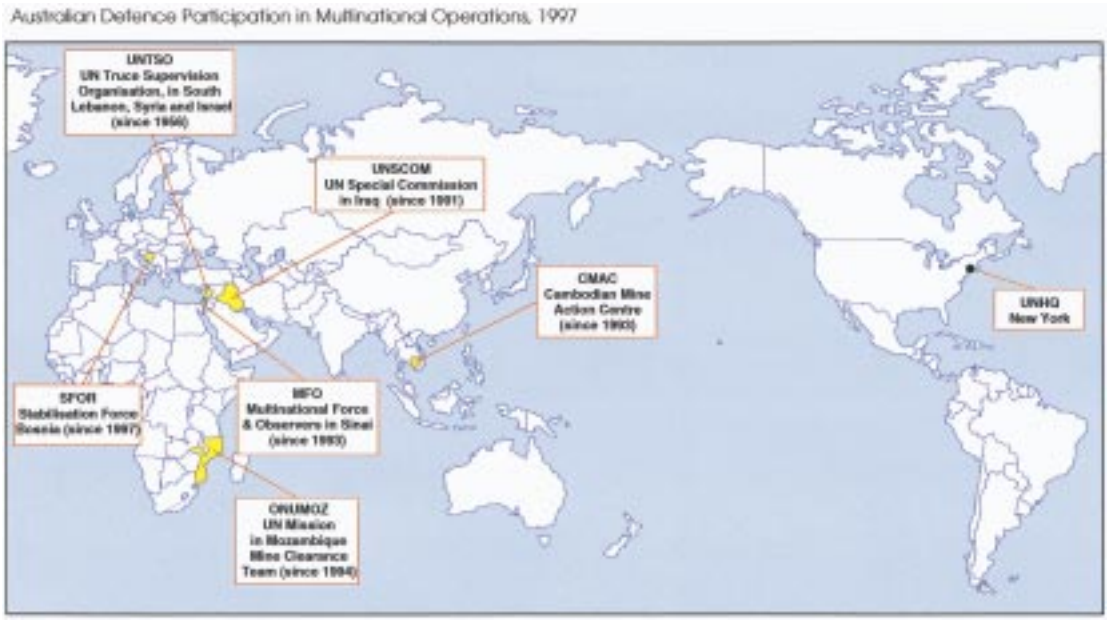
But just as our planning for defeat of attacks against Australia is not based on any specific source of threat, our planning for defending regional interests is not based on any specific regional conflict or scenario.

In any such crisis, Australia would have a range of options short of the commitment of forces and careful consideration would always need to be given before the serious step of deploying forces were taken. That consideration would need to balance the Australian interest at stake with the human, financial, political and diplomatic, and wider costs of committing military forces. Nevertheless, our defence planning recognises that the Government may decide that such a commitment is warranted. It is of course intrinsic to Australia's approach to regional events that such commitments would be undertaken in collaboration with regional friends and allies.

SUPPORTING AUSTRALIA'S GLOBAL INTERESTS

Strategic Interests. Notwithstanding our strong focus on the Asia–Pacific region, Australia also has clear strategic interests at the global level. The foremost of these is our interest in supporting the United Nations in its primary function of resisting aggression around the world. While the high expectations of the United Nations after the Gulf War have been somewhat deflated, it nevertheless showed the UN's potential to provide a focus of international effort—and it is in Australia's interests for that potential to be preserved.

Australia also has strong strategic interests in the United States accepting, and being accepted in, the global role that it has evolved over the past few years, as the predominant support to an orderly international community, especially via the UN.



We would therefore be likely to consider supporting the United Nations in actions to resist outright aggression elsewhere in the world. In practice, it is most likely that any substantial effort by the United Nations would be led by the United States, so Australia's decisions on participation would take account of both factors. Any Australian military contribution to such an operation should be as effective as possible. Nevertheless, the fact of a contribution—and often the speed with which it could be provided—would typically be more important than its precise form.

Humanitarian and Political Interests. In recent years, Australian governments have often faced decisions about the deployment of ADF elements to more distant parts of the world to undertake humanitarian operations, such as those in Somalia and Rwanda. Australia has no strategic interests at stake in these situations. The Government's decisions to deploy have been based on a sense, often backed by strong public feeling, that we have humanitarian interests in helping to alleviate such catastrophes.

Likewise, Governments have decided in recent years to commit forces to peacekeeping operations in various parts of the world, primarily in support of the interest we have in being seen as a responsible international player. Such participation increases our potential influence on a range of issues of concern to Australia that are before the international community and, more specifically, reflects our willingness to support the United Nations in its wider responses to security problems around the world.

The Government can expect to continue to receive requests of this sort in coming years. While participation would continue to be decided on a case-by-case basis, we would expect missions to have a specified objective—with a good probability of

success—adequate resources to achieve the objective and a limited duration and scope. And decisions on how to respond would need to take account of the following issues:

- whether the operation has a clear and achievable mandate, clear and achievable goals and clearly-defined termination and review points;
- whether there is a prospect for a satisfactory outcome, given the UN resource commitment and the political nature of the situation;
- what other resources are likely to be available for the operation;
- what Australian interests are engaged, including regional, alliance and humanitarian interests and community attitudes;
- what costs the contribution might incur, including the effect on the ADF's capacity to undertake other tasks, including national defence;
- what our commitment to other operations is at the time;
- what training and other benefits would accrue to the ADF; and
- what the risks are for personnel involved in such operations.

What significance do these types of operations have for defence planning? Experience in recent years has confirmed that the development of forces specifically for peacekeeping is not worthwhile. The best preparation for peacekeeping is conventional military capabilities and training, supplemented by specific familiarisation with the tasks required in individual operations.

HELPING AUSTRALIA'S CIVIL COMMUNITY

Each year the ADF undertakes a wide range of tasks to help the civil community in Australia. Typically, these involve support or supplementation to the civil emergency services where they are facing exceptional demands. The ADF does not normally provide services to the civil community in more regular circumstances. There is good reason for this—the demands of modern warfare mean that Defence

capabilities are highly sophisticated and very expensive. It would be most unusual for the use of defence capabilities to be more cost-effective than using civil alternatives. To do so diverts Defence from its core business, distorts funding priorities and reduces defence capability.

There are only two standing exceptions to this principle. The first is the provision of specialist support to counter-terrorist operations. In this case, the special demands of the use of lethal force and the high level of military equipment and training required mean that the ADF is best placed to provide this capability.

The second is the use of ADF assets to provide surveillance and response forces for customs, immigration, fisheries and other civil authorities off Australia's coasts. The size, crewing, armament, range and other characteristics of naval patrol boats are important for performing these tasks throughout Australia's EEZ. Such operations also serve a strategic purpose in providing a continuous ADF presence in Australia's northern maritime approaches.

These functions, and the other services provided by the ADF to the civil community, including protocol and ceremonial duties, often impose additional costs on Defence. But they also draw on capabilities and help to develop skills which the ADF would maintain for defence purposes, and so have no direct significance for capability planning.

HOW DO WE BALANCE THESE TASKS IN PLANNING OUR CAPABILITIES?

A key step in our defence planning is deciding how we balance the priority we give to meeting the different types of task identified above in deciding what kinds of capabilities to develop. Our aim is to develop a set of capabilities which can perform key tasks effectively. Limited resources require us to establish a clear hierarchy of priorities to resolve conflicting capability needs for different tasks, thus deriving a set of capabilities which most cost-effectively meets our overall strategic priorities.

Clearly, that requires us to develop a single set of capabilities which can as much as possible perform or contribute to several tasks, and avoid as much as possible the development of capabilities which apply to only a few. We will also plan against the need to perform more than one task at a time.

These are matters for judgment. Our approach is to identify a set of core tasks which carry highest priority—which our forces must be best able to handle—and then seek to ensure that the forces developed to perform those tasks are also capable of performing the others to an adequate level. The hierarchy of tasks would be based on the importance of the strategic interests involved.

Defeating Attacks on Australia. Taking this approach, it is evident that the defeat of attacks on Australia carries the highest priority, and that this task is the core criterion for decisions about priorities for capability development for the ADF.

This judgment is based on a number of factors. It is worth noting that it is not based on a judgment that it is the most likely task—on the contrary, it is the least likely. But the defence of our own territory is our most important function. It is also our most demanding function. If Australia is to maintain a credible level of self-reliant capability—that is, maintain the ability to defend our own territory without combat assistance from the forces of other countries—there are certain key functions which the ADF simply must be able to perform.

For all these reasons, it makes sense for us to give highest priority in our capability planning to this task. But that does not mean that we ignore the demands of other high-priority tasks in setting capabilities. In deciding how best to develop forces to defeat attack on Australia, we will take account of the contribution that different options would make to other tasks. And, in the end, our judgment on the priority we give to defeating attacks on Australia will be tested to see how well a force developed on this basis is able to perform other tasks.

Defending Regional Interests. The development of capabilities to defend our regional interests will take the next highest priority after those needed to defeat attacks on Australia. The strategic interests at stake in the range of situations that could arise in our region are very important to our security. Australia must have the capability to make a substantial military contribution in many different possible circumstances.

The strength of our interests means that we will need to pay close attention to the adequacy of our forces for this task. Rather than assuming that the forces developed for the defence of Australia would be adequate for any regional tasks, we need to demonstrate whether this would be the case. And while accepting that defeating attacks on Australia is a higher priority than defending regional interests, we need to recognise that regional conflicts—which may well relate directly to our security, or at least have a knock-on effect—are more likely than direct attacks on Australia.

The capabilities of the ADF will therefore be developed to defeat attacks against Australia, and provide substantial capabilities to defend our regional strategic interests. Priority will be given to the first of these tasks, but decisions will be influenced by the ability of forces to contribute to both tasks. Our planning will also take account of the possibility—albeit unlikely—that we could need forces for both.

Apart from the well-defined tasks of counter-terrorism and peacetime surveillance and response, supporting global interests and helping the civil community should not influence capability decisions. Experience has shown that capabilities developed to meet the higher priority tasks will provide the Government with a sufficient range of options to meet these needs.

CHAPTER 5

HOW QUICKLY WOULD WE NEED FORCES, AND FOR HOW LONG?

The next major set of issues to be taken into account in planning our defence capabilities relates to the question of how quickly we need to be able to bring our forces into action, for what particular purposes, and for how long.

WARNING

The concept of warning has been an element of our defence planning for many years. It is complex and not easily understood. It is important to distinguish between "capability warning" and "crisis warning". Capability warning relates to the development of substantial capabilities by a regional state which—because they would increase significantly the ability of that state to launch a major attack against Australia— would require us to change our priorities in the force development process. Crisis warning relates to the warning we might get of any attack on Australia, or of a situation arising in which Australian interests may require a response using armed forces.

Capability Warning. The key judgment in the 1980s was that we could expect significant warning—indeed, several years—of the development of a capability to mount a major attack on Australia. Such an attack would require the lodgement and support of substantial land forces intending to seize and hold sizeable areas of the Australian mainland. That judgment remains valid. Indeed, notwithstanding region-wide military modernisation programs, no neighbouring country is developing the types of forces capable of mounting a major invasion of the Australian mainland.

Crisis Warning. Crisis warning remains a very important element of our defence posture, both in relation to defeating attacks on Australia, and in defending of our regional security interests.

There is no current reason to expect an attack on Australia of any form. But that does not mean we could expect long warning of the development of such a threat, which would be politically generated. Countries do not resort to using armed force without a strong motive, and no country has any motive to attack Australia at present. We would, almost certainly, be aware of the development of such a motive by any country in our region, if only because it would be accompanied by a serious deterioration in our bilateral relationship. Such a deterioration would be evident in many ways, including through significant variations to existing levels of military

activity in the region. And our wide area surveillance systems, operated continuously, could detect associated military operations once these are actually launched.

It might, however, be very difficult to detect the point at which an adversary considered or decided to use armed force against Australia. It could also be very difficult to take military precautions against the possibility of attack before such intentions became apparent.

In planning our forces, and their activities, we therefore cannot assume that we would receive any particular amount of crisis warning of an attack on Australia, or a threat to Australian interests. Any warning we would get would likely be ambiguous and difficult to respond to in an overt way, for fear of escalation or provocation.

In relation to the defence of Australia's regional interests, the problem is exacerbated by the potential volatility of situations in which our interests might be engaged and which may require the use of Australia's armed forces at very short notice; for example to conduct an evacuation of Australian nationals.

We conclude, therefore, that decisions on the posture and preparedness of the ADF cannot be based on any robust estimate of the amount of warning we would get at the outset of a crisis, because such events are inherently unpredictable. The management of the problem this poses is one of the key challenges to Australian defence planning. The central question is how much importance we place on priorities for supporting the current activities of the ADF in the planning process.

PREPAREDNESS

In its application to managing our current forces, preparedness consists of two key concepts—military readiness and the sustainability of ADF assets in operations. Judgments about the levels of preparedness at which our forces need to be held are important, because holding our forces at high levels of preparedness is expensive, carrying high opportunity costs in resources for training and stockholdings which would have to be foregone in the development of future capabilities.

It would be less risky to require a large proportion of our forces to be always ready for action at very short notice, but the result would be that over time, and under significant budgetary pressures, our overall capabilities would decline as priority was diverted from the longer-term investment and training requirements which are the foundation of our future capabilities.

We also recognise that our decisions on preparedness should not be influenced only by judgments about warning. The preservation of core skills and the proficiency in

operations of our forces is also important in determining the tempo of current relations.

READINESS

The concept of readiness applies mainly to the way in which the current force is operated. It anticipates that a certain level of operational activity is required by ADF assets if essential core skills and proficiency levels are to be maintained. Such activity must also be planned to occur over a long time to ensure that perishable skill levels are maintained. This aspect is particularly important where the capability is fundamentally dependent on specially constituted teams for successful delivery.

For these reasons, key judgments about readiness are important but are also difficult to transform into specific levels of investment in readiness. The starting point for such judgments is the need to ensure that we have available for use, in circumstances flowing from crisis warning considerations, sufficient forces to meet Government requirements. To do this we will make judgments about the likelihood of different types of capability needed at short notice. We will also take into account the impact of higher levels of readiness on the whole of the force-in-being.

Experience over the past ten years suggests that the types of operations most likely to be needed at short notice are as follows: humanitarian relief operations in places like Africa; services assisted or protected evacuations in our region; peace operations such as in Cambodia or Somalia or combat operations in support of a United Nations or United States coalition force—such as in the Gulf in 1990–91. Thus, we judge that, at the present time, the involvement of the ADF in demanding military operations is more likely to flow from a global or regional security situation than from any attack directly on Australia.

SUSTAINABILITY

Preparedness also includes the concept of sustainability, which is about the capacity to support ADF forces in operations. It involves considerations which include the adequacy of materiel support, the availability of skilled personnel for relief and replacement, and the serviceability of key systems to perform to specification under demanding conditions. A key variable relates to the stockholdings of critical weapons, spare parts for mission critical systems, and training.

For maritime forces, the key elements of preparedness are the state of platforms and systems; crew availability; holdings of critical consumable items, especially weapons; and the availability of support services such as battle damage repair and depot level maintenance. Past experience has shown that a policy of "fitting for but not with" a particular capability—in the expectation that there would be time in which to acquire, fit and develop proficiency in the use of a particular capability—is a flawed

concept. That was demonstrated when RAN ships deployed at short notice to the Gulf War in 1990–91 and needed urgently to be fitted with a range of operational capabilities, including anti-air defensive and chemical weapon protection capabilities.

A key constraint on air operations is the availability of aircrew. Maintaining aircrew currency for operations is very expensive, not just in operating costs for aircraft, but also in fatigue on airframes which imposes a finite structural life in modern aircraft. Nonetheless, we may be able to accept some risk over airframe fatigue factors in operational circumstances, although the availability of aircrew would be a critical limiting factor. We will ensure that we have sufficient crews to operate available aircraft at an appropriate rate of effort to meet the demands of operations. This could include the mounting of air operations on a 24 hour basis over extended periods of time.

For land forces, the key elements of readiness are the state of equipment, personnel numbers, and state of training—both individual and collective. Land forces depend heavily on reliable sustainment through an appropriate logistics system in conducting military operations. In the past, the costs of equipment for land forces has been a relatively small proportion of the overall costs of fielding the land capability. But as we transition towards a greater use of technology, equipment costs will rise significantly.

Keeping land force units at very high levels of readiness involves keeping personnel in barracks ready to move, and imposes high opportunity costs through constraints on training and other functions Over time, maintaining high levels of readiness in particular land force units reduces their effectiveness.

All these considerations impact on the availability of forces to deal with situations for which Australia would only have "crisis warning". Such forces would have to deal with the initial response to a crisis and then be capable of operations for a significant period until other forces could be brought up to a level of capability suitable for commitment to operations. This process would require a significant training effort and higher than normal logistics support.

For considerations under capability warning—that is, related to the ability to mount a major attack on Australia—normal planning considerations would apply to the development of ADF capabilities.

POSTURE

Apart from preparedness, we are also concerned with the way in which the posture of the ADF—including its use both in peacetime activities and on operations—influences other countries' perceptions about Australia's military capabilities, and the way in which we might use them.

A considerable investment has been made in developing the infrastructure in northern Australia needed to support the defence force in countering direct attacks on Australia. Examples are the construction of a chain of airfields capable of operating modern aircraft across the northern approaches to the mainland, as well as a range of barrack, training and headquarters facilities needed to support significant military operations in the area. This investment indicates the seriousness with which Australia considers the defence against armed attack on Australia in its defence planning and the priority accorded to it.

Posture is also a consideration when formulating the extent to which commitments for bilateral and multilateral exercises are met within our region, and occasionally wider afield. For example the professional standing of our force can be indicated by the way in which search and rescue operations can be conducted at short notice at long distances from Australia, or by the numbers and quality of forces that participate in joint exercises. In all such cases Australia's credibility in going about military operations in a professional and practical sense is tested, with opportunities frequently presented to impress foreign experts that we are capable of carrying out any operation that we are directed to do.

So while we need to be cautious about the level of our investment in preparedness, we need to take account of the importance of maintaining a sufficient posture with our current force levels to support our policy for regional engagement as well as providing positive support for the maintenance of a continuing US presence in our region. Such activities support Australia's regional security interests. Further, our frequent participation in bilateral exercises with countries in our region contributes significantly to our intelligence assessments about regional military capabilities, with flow on implications for capability warning as outlined above.

Our approach to determining the preparedness and posture we need in our forces should be based on the following key judgments.

First, that in the current circumstances preparedness levels will be determined more by the requirements of regional operations and deployments in support of global interests, as well as by some non-combat functions, such as surveillance, than by the needs of defeating attacks on Australia.

Second, that the overall minimum levels of readiness and sustainability will be sufficient to maintain the core skills in the ADF through reaching high levels of individual and collective training in all units except those undergoing depot level maintenance or at extended notice for operations.

Third, all platforms in service will be kept as much as possible in a condition to undertake a broad range of operations in our region without further modification, either in joint operations where the Government expects the ADF to take the lead, or as part of a coalition force.

Fourth, some force elements including air defence, a range of maritime units, air transport and some land force elements will be available to the Government at all times at short notice to constitute a response to a situation involving crisis warning.

Fifth, we will aim to keep wide area surveillance capabilities and intelligence capabilities at operational status continuously.

Sixth, clear distinctions will need to be drawn between current operational elements of the land force and their notice for operations, and longer term expansion force elements.

Seventh, stocks, especially of key consumables like missiles, must be adequate to maintain operations at a relatively high level of intensity until assured resupply would be available. Stock numbers will be calculated on realistic deployment and usage rates, taking account of possible losses through accident, overuse in threatening tactical situations, and enemy action.

Eighth, other logistic support needs, including fuel, spares and servicing, must be adequate to ensure that they do not become a constraint on operations.

CHAPTER 6

WHAT TYPES OF FORCES DO WE NEED FOR THESE TASKS?

Having established the tasks our defence force needs to undertake, and the broad priorities between them, the next step is to address a series of basic military-strategic decisions about the kinds of operations best suited to achieving those tasks as efficiently and effectively as possible. By military-strategic decisions we mean those that relate to the ways in which military forces are used to achieve strategic objectives.

THE BASIC MILITARY-STRATEGIC CHOICES

Defeating Attacks on Land vs Defeating Attacks in our Maritime Approaches

The first decision we need to make concerns the choice between a military concept that concentrates on defeating attacks primarily on land, and one which focuses on our maritime approaches.

These concepts describe the *environment* in which we would choose to respond to an attack against Australia, rather than the *forces* we would use. For example, giving primacy to defeating attacks in our maritime approaches would not preclude the employment of land forces, which would likely be critical to the protection of the bases from which naval and air units would operate. In the same way, defeating attacks on land could not be undertaken effectively without the use of aircraft.

So while the decisions we make about these basic military-strategic choices will have consequences for the balance between different types of forces they should not lead us to underestimate the importance of all three services operating jointly—whether to defeat attacks against Australia or to defend our regional interests.

Strategic Geography. Decisions about the military concept we would choose to employ depend primarily on the geography. Our starting point is that Australia is an island continent. Distance is an important constraint on the ability to project military force. In particular, open water is a major barrier to sustained and large-scale military operations.

The key to our strategic geography is therefore the reality that any attacks on our territory would have to be launched and sustained across our maritime approaches. Second is that our territory provides both huge strategic depth for many of our major centres of national life, and vast areas over which we need to be able to operate effectively.

While our strategic geography carries both positives and negatives for our defence, overall it is decisively a positive. The size of our continent, the depth that gives us, and our absence of land borders help make self-reliance possible for us.

A Maritime Concept. Australia's strategic geography suggests we plan on operations which concentrate on defeating any aggressors in our maritime approaches, before they reach our territory.

Operations in our maritime environment can exploit the inherent advantages of our strategic geography better than operations on our territory. Ships at sea and aircraft over water are relatively easy to detect and attack at long ranges. Land forces are extremely vulnerable when being transported by sea or air, and their vulnerability persists because they need to be continuously resupplied. If Australia maintains the capability to deny our air and sea approaches to hostile ships and aircraft, then we can prevent hostile forces reaching our territory or operating on it for long.

The success of such a concept relies heavily on air and naval forces. Our land forces would also have an important role. Most fundamentally, the existence of substantial Australian land forces would require any adversary hoping to seize and hold territory to deploy and support large forces on Australia themselves, which would make them vulnerable to maritime interdiction. More specifically, our land forces would play a crucial role in protecting command, communications and intelligence facilities and the air fields and naval bases in northern Australia from which we would need to operate. We also clearly need the capability to react to incursions onto Australian territory. In harassment-type operations, the hostile forces could be too small to be reliably detected and interdicted at sea, but could still cause significant damage and disruption. The presence of our land forces, especially in northern Australia, in time of crisis would be significant in supporting civilian morale.

But notwithstanding the important role of land forces in a maritime concept, combat aircraft, submarines and surface combatants, supported by well-developed intelligence, surveillance and command and control systems, would be our first line of defence and are our highest priority. Focusing in this way on defeating attacks in our maritime approaches enables us to exploit our national strengths in technology, where Australia should be able to sustain a significant national advantage, if we work hard at it and recognise it as a strategic priority.

Similar issues determine the priority we should give to developing different types of capability to contribute to in defending our regional strategic interests. Again, the starting point is geography. Just as Australia's strategic geography is fundamentally maritime, so is that of our nearer region in Southeast Asia and the South Pacific, and indeed of the wider Asia–Pacific region.

The higher inherent mobility of air and naval units means they are in general quicker and easier to deploy from bases in Australia. And air and naval forces can exploit Australia's comparative advantages in technology and personnel.

How would Australia use its forces?

A key factor is the choices we make about how Australia would use its forces in defeating an attack on Australia or defending its regional interests.

In any conflict, especially an attack on Australia, the Government would seek options to end hostilities as quickly and conclusively as possible, consistent with the range of interests involved. These would include preserving our territorial integrity, protecting Australian lives and property, maintaining our international standing, and avoiding unnecessary risks to the personnel and platforms of the ADF.

Obviously the Government would wish to have available the widest possible range of military-strategic options in any crisis. That range of options will be necessary because one of our principal objectives will be to ensure that as far possible the conflict is conducted on our terms.

But in trying to provide forces for the widest range of possible options, with only limited resources, we need to avoid producing forces that are inadequate to succeed in any of them. We need to identify those options which are more likely to achieve probable government objectives in a wide range of circumstances.

Further work will be required on this. But one of the key choices is between more reactive and more proactive types of operation.

For example, in a crisis involving attempts to land small forces on Australia, the options range from operations designed to locate and defeat adversary forces once they were ashore; interdiction of forces in or over our territorial waters or EEZ;

destruction of forces and platforms close to their bases, or in their home bases; and counter-campaigns of infiltration or other hostile operations designed to impose pressure on the opponent to desist. This range of options is only illustrative—there are many variations and alternatives.

Clearly, the Government might want to undertake several types of operations at once or in sequence as a crisis unfolded. Those choices would however be guided by some overall considerations as to how proactive or reactive it wished to be. As a general rule, more reactive operations—those responding to actions initiated by an aggressor—would be less likely to escalate a conflict, make it easier to restore durable relations with the adversary after the conflict, and to create the atmosphere for a negotiated solution.

On the other hand, relying on reactive options runs the risk that a crisis would be prolonged. They place little pressure on the adversary to cease attacking or threatening to attack Australia, and concede to the adversary the initiative over the pace and duration of the crisis. Moreover, such operations would likely be highly demanding for the ADF, requiring deployment and sustainment of large land forces to northern Australia for a considerable period.

More proactive operations offer the opportunity to seize the initiative, impose real pressure on an adversary to stop attacking Australia, and provide better confidence that Australian lives and property would be protected. That is not to suggest we would contemplate attacking the population centres of an aggressor. Rather, we would attack—or threaten to attack—military assets and installations which could be used to attack Australia. And having that capability can in itself be of benefit, imposing important constraints on an adversary's freedom of action.

In recent years, Australian defence planning has tended to place emphasis on the more reactive options, especially focusing on what have been called 'low level contingencies'. They remain important in our defence planning. But we need now, to take account of a wider range of possible conflicts and increasing regional capabilities in our planning. The arguments for Australia to have capabilities able to support more proactive operations are likely to strengthen in future years.

Clearly, Australia needs forces which can support both proactive and reactive operations. But we will not develop the overall force which most cost-effectively meets our strategic needs if we aim for a force which has 'a bit of everything'. We will develop those specific capabilities which offer the widest range of effective military strategic options to the Government in the most credible circumstances.

Setting the Benchmarks

The development of wider high-technology defence capabilities throughout the Asia–Pacific region is one of the most important trends in our strategic environment. Australia's traditional assumption that our forces will have an automatic technological edge over others in the region is no longer plausible. Henceforth we will have to work hard in our increasingly competitive environment—to make sure that our forces have the technology, people, education and skills to win.

For Australian defence planning, there seems no alternative to meeting the challenge of rising regional capabilities. Australia's forces at present are among the most capable in our region. Our present level of capabilities can be measured against two key benchmarks:

- we have the capability to deny our air and sea approaches to any credible regional force; and

- we maintain a strong regional presence as a maritime power.

The Government's aim is to ensure that the ADF continues to meet these overall benchmarks in the year ahead. In regard to individual platforms and weapon systems, we need a set of benchmarks to inform decisions about the level of capability required. By identifying how others are approaching these tasks, and how well they are doing them, we will set benchmarks against which to measure our own performance. These benchmarks will be based on the military capabilities likely to exist in the region over the next fifteen years—as a reasonable guide to the types of military capabilities we should be able to counter.

Who Do We Need to Operate With, and How Well?

Another issue we need to take into account in planning our forces is interoperability—the capacity to cooperate with the forces of other nations to undertake combined operations.

Interoperability can be achieved in a wide range of ways to achieve different levels of cooperation and mutual dependence. At its lowest level, a degree of interoperability can be achieved by developing a shared understanding of procedures and doctrine, supplemented by basic communication links between commanders so that separate operations can be coordinated. Achieving the lower levels of interoperability can be relatively inexpensive and need have no direct influence on wider capability development decisions. But it will only deliver a modest capacity to cooperate, and limit the combined capability of cooperating forces.

More intimate cooperation involves a wider range of communications links, and agreed procedures, doctrine and protocol. Closer cooperation still would require

common or compatible systems and platforms, shared logistic capabilities and, at the highest level, completely integrated forces. Developing and maintaining interoperability at the higher levels can be expensive, involving for example significant investment in communications systems.

In future, as combat capability is increasingly tied to continual real time communication of intelligence, surveillance, command and coordination information, the interoperability of these systems will become more important to achieving substantial effective tactical cooperation, especially in air and naval forces; and it will become increasingly difficult and expensive to maintain such interoperability with US forces, as the pace and level of their investment in such systems continues to grow.

Our judgments about the investment we are prepared to make in interoperability will be made on the merits of individual proposals. Our priorities for interoperability investment with different countries are however clear.

We will give highest priority to maximising interoperability with the United States at the higher level, and be prepared to make significant investments to sustain such interoperability as new systems are introduced. Our next priority is interoperability with New Zealand. There is a high likelihood that we would operate in coalition with New Zealand in any conflict in our nearer region, especially involving attacks on Australia, New Zealand or the South Pacific.

A high priority will also be given to investments to develop interoperability with ASEAN countries. Beyond Southeast Asia there is little reason to invest in systems which would develop interoperability at higher levels, though some modest investment in exercises to build interoperability at lower levels may be justified.

WHAT NATIONAL CAPABILITIES DO WE NEED TO SUPPORT OUR MILITARY FORCE?

As noted earlier, self-reliance is a concept which focuses on our ability to defend Australia without assistance from the combat forces of other countries. While it does not mean that we should aspire to self-sufficiency across all areas that provide support to our combat forces, it does provide a framework within which to consider priorities for this support.

For a small force, it is essential that we have the ability to organise and draw upon the resources of the civil community.

Reserves. The ability to draw upon the civil community to augment our personnel numbers for specific operations or in times of crisis is an important component of our defence planning. Rapid advances in technology and the increasing sophistication of military equipment has important implications for the way we use

reserves. On the one hand, full time service is increasingly necessary to develop and maintain the specialist skills needed to operate advanced systems. But in a more flexible labour market, where people will increasingly move through different careers in their working life, reserve service can be a highly cost effective way of retaining access to skilled personnel who no longer wish to continue as part of the permanent force.

Moreover, using part-time and full-time personnel in fully integrated task forces is a central part of our plan to restructure the Army—effective use of part time personnel will enable us to increase the number of task forces we can deploy. We will invest more resources to improve the training and skills of our part time personnel.

Industry and Technology. Defence purchases goods and services from a great many sectors of the economy, not only those that manufacture military systems and platforms but also from firms that provide communications and financial services, and transport and storage. In most cases, we will make decisions about such purchases on a strictly commercial basis. This is important as a means of cultivating the efficiency of our own national support base.

There remains, however, a part of industry in which Defence is the major and in some cases the only customer. We will keep this sector as small as possible. But where it might be important for us to have national industrial capabilities—that would not easily survive under open international competition—special considerations will apply.

The principal factors which should inform our judgments on our needs to establish and maintain national capabilities are:

- the level of access we have to leading overseas technology;
  - particularly the extent to which we enjoy privileged access that gives us an advantage over other countries in the region;
- the suitability of that technology to our likely operating environment;
  - and whether cost-effective in-country modifications are feasible;
- the likely level and cost-effectiveness of support—both in peacetime and during a crisis;
  - particularly for key systems and platforms; and
- national security considerations.

RESOURCES AND TRADE-OFFS

In deciding the way we should develop our defence capabilities, the Government will need to establish balances and trade-offs between the different force-planning issues outlined here. Trade-offs will be necessary and are possible given the absence of any manifest cause or political intent which could, in the short term, result in a military threat to Australia.

Those trade-offs include: the balance between land, air and maritime forces; between current preparedness and future capability; between the scale of forces we can deploy and the length of time we can sustain them; and between developing forces to defeat attacks on Australia and adapting them to defend regional interests.

The balance can be struck in many ways, but it is most important to recognise that, within a fixed defence budget, those choices *have* to be made. Such choices are made in circumstances of great uncertainty, and involve a large element of risk assessment and management. It is important for that element of the decision to be explicit and carefully considered.

The fundamental question arises whether current levels of defence spending are sufficient to achieve a Defence Force which meets the Government's strategic needs, striking a satisfactory balance between all of these factors. That is of course a difficult question to answer. The most common measure of defence spending is the proportion of GDP spent. This is a handy shorthand comparison, but it has no strategic significance in indicating whether a government is spending enough to achieve its strategic objectives. That will depend on its strategic circumstances and objectives, and on how effectively its money is being spent.

Over the last few years, and most recently through major reforms now underway following the Defence Efficiency Review, the Defence Organisation has placed great emphasis on improving the efficiency with which we produce capability—on maximising the capability we get for each dollar. The Defence Reform Program will, over the next three years, realise a one-off saving of $500 million and mature annual savings of $770–1000 million, which constitutes a very significant level of additional resources for major equipment acquisition and capability development.

Of course that task is never completed, and we are committed to maintaining and enhancing within the Defence Organisation a culture of continuous efficiency improvements. But we are approaching the point at which further cuts to the size of the ADF would damage its credibility as a fighting force.

In the past ten years, ADF personnel numbers have been cut by twenty per cent, without cuts in capability. That process will go further with the Defence Reform Program. Major new efficiencies cannot be derived from further personnel savings. In short, relying on generating efficiencies at the 'blunt end' will not be enough to ensure that we can continue to achieve the Government's strategic objectives.

With careful management and rigorous prioritisation, the capabilities outlined in this paper can be achieved without major increases in defence funding in the shorter term. But rising personnel costs, preserving and enhancing our skill base, and meeting any higher demands for readiness, along with rising investment costs for new capabilities, will place pressure on defence funding. Moreover, the current budget does not make it possible to contemplate developing major new capabilities in the form of new fighter aircraft or new surface combatants.

PART 3

Force Structure Priorities

CHAPTER 7

FORCE STRUCTURE DEVELOPMENT PRIORITIES

A crucial element of our overall capability is the platforms and weapon systems we maintain in our force structure. Our aim in setting priorities for the future development of our force structure is to identify those areas where our existing platforms and systems are most seriously mis-matched or inadequate to our tasks, or where new technology offers more cost-effective ways to perform them. Our aim is to develop the force in a way that most cost-effectively provides the Government with the widest range of options to undertake the kinds of operations described in the previous section.

The future cost effectiveness of the force will depend primarily on our success in exploiting technology, doctrine and geography to provide forces for these tasks with the highest capability for as long into the future as possible.

In keeping with the approach proposed earlier in this paper, primary attention will be given to the contribution that capabilities can make to defeating attacks against Australia.

The Revolution in Military Affairs

The so-called Revolution in Military Affairs (RMA) or the information revolution—much of which is being driven by commercial developments in the civil sector—is changing the nature of warfare all over the world.

But for Australia it has particular significance. Not only will new technology provide military personnel with an expansive breadth and depth of information about the battlefield, but sophisticated strike weapons will give advanced forces the capability to destroy targets with an unparalleled degree of precision and effectiveness.

Our ability to use and manage information technology will be one of the areas where we can maintain and aspire to continuing excellence. Advances in technology will put a premium on the skills of our people. We will give a high priority to investments to ensure that our military forces gain the greatest advantage from developments in this field.

Priorities and Balance

To be effective, Defence needs capabilities to undertake a number of roles, for example, information collection and management, maritime control, air dominance, strike and land warfare. It is not possible simply to list these in priority order of importance, as success in war will depend on having an appropriate balance of capabilities.

As an illustration of this, complete information on an adversary's intentions and actions would be useless if we lacked combat forces to respond, yet highly capable combat forces which are unable to locate and adversary would also be of little use.

We need enough information to optimise the effectiveness of our combat forces. We need to establish the 'balance point' at which a shift in resources from one capability to another would degrade our overall performance. The task for Defence planners is to match actual capabilities and resources to the desired balance point.

Balancing capabilities in light of our strategic environment will involve quite different levels of investment in different areas; indeed, the balance would likely shift over time in response to a range of external factors, especially changing technology.

This chapter sets out our judgments about how our force development priorities will be set to meet the needs of our strategic environment, to take advantage of new technological opportunities, to exploit our strategic geography, and to address shortfalls in our current capability. On this basis, priority has been assigned to four broad groups of capability.

While these priorities are important, they do not reflect the complexity of the detailed decisions that the Government will need to take on specific capability developments. For example, while overall development of capabilities for the land forces is assigned priority four, some elements of investment in that capability will take priority over capability elements that fall within higher priority categories

PRIORITY ONE: THE KNOWLEDGE EDGE

In modern warfare, the business of winning will increasingly begin by knowing as much as possible about an adversary and their intentions. Our highest capability development priority therefore is 'the knowledge edge', that is, the effective exploitation of information technologies to allow us to use our relatively small force to maximum effectiveness.

First, the huge areas covered by our territory and maritime approaches make surveillance particularly important for our defence. If they could be made transparent to us by continuous, effective, real-time surveillance, those huge areas

would provide us with great strategic depth; if they are opaque to us they are a distinct strategic liability. The information revolution in warfare offers us the prospect of surveillance capabilities which, if realised, could make our approaches more transparent than they have ever been.

Second, Australian forces will always be small relative to the large areas they need to cover and the demands we make of them. Information technology applied to the command, positioning and targeting of our forces will enable us to use our forces to maximum effect, and get most value from each unit.

Third, we have a strong asset in our national base in information technology, including in military applications. We also have access to the most advanced applications of information technology to warfare through our alliance with the United States.

For all these reasons, the effective exploitation of information technology provides Australia with a unique opportunity to expand our capabilities cost-effectively.

There are three elements to this aspect of our capability: intelligence, command and its supporting systems, including communications, and surveillance. Our aim is for an integrated system which incorporates all three.

Intelligence

Our intelligence capability must provide intelligence of political and wider strategic developments to support national level assessments of strategic trends and objectives throughout the region including developments in military capability. Collection, evaluation and rapid dissemination of intelligence to decision makers and operational personnel in a crisis is also critical.

Our priorities for the further development of our intelligence capability are to:

- enhance our analytical and assessment expertise in military and strategic intelligence;
- improve our collection systems; and
- develop an ability to fuse and distribute all-source information to forces in the field.

Command Arrangements and Command Support Systems

Superior command is crucial to our achievement of maximum results with relatively small forces. We will:

- Implement the new command structures and arrangements to provide:
  - confidence in our ability to get information to the right place at the right time,
  - unity of command,
  - easy transition from peace to war,
  - simplicity,
  - clarity,
  - flexibility and adaptability, and
  - economy of staffs.

- Improve the skills of individual commanders at all levels:
  - Command in war is a highly demanding function, that is difficult to prepare for. We will continue to give a high priority to ensuring that our commanders are as well prepared as possible, including through the use of advanced simulation and wargames.

- Use information technology to support our command arrangements:
  - New technologies offer important opportunities to speed up and improve command decision making;
  - Investment in such capabilities is a high priority where clear benefits to command outcomes, and savings in staffing, can be demonstrated;
  - We will develop a single integrated command support system for the entire ADF, incorporating intelligence and surveillance distribution, which is secure, robust and cost effective.

- Develop communications to expand the flexibility, capacity and improve the reliability of our command, intelligence and surveillance systems:

- Relying as much as possible on commercial systems and allied capability to deliver support capacity, security, reliability and geographic coverage.

Our priorities for the development of our command, control and communications capability are:

- implementing and consolidating the new command arrangements, most notably the formation of Headquarters Australian Theatre;
- improving command skills;
- developing a command support system;
- expanding the reliability, security and capacity of our communications; and

Surveillance of our Maritime Approaches

Consistent with the priority we recommend to denying our air and sea approaches to hostile forces, our objective is an integrated surveillance system which will provide continuous, real-time, all-weather detection and identification of aircraft and ships in our maritime approaches. High quality surveillance information is crucial to our ability to engage hostile forces earlier.

This is a demanding task but the technologies to achieve this objective are emerging and, with the help of the United States, it is within our reach.

The surveillance system would rely on a range of sensors and platforms. Newer capabilities, like space-based surveillance, will become increasingly important due to their potential for greater continuity and area of coverage than other systems.

Long range and long endurance unmanned aerial vehicles (UAVs), carrying a range of sensors, could be an important supplement to space-based and other systems. They could provide a good reconnaissance and surveillance capability for coverage of significant areas in a crisis as well as a back-up system able to operate independently of United States' systems.

Over-the-horizon radar (OTHR) will be a crucial element of our surveillance system. We will develop the complete OTHR system as quickly as possible and integrate it with other surveillance assets and our intelligence system.

The outputs of all of these systems will be fused into an overall integrated surveillance system to provide a comprehensive real-time position to commanders and operators throughout the ADF.

Notwithstanding the importance of space based systems and OTHR, there would still be a heavy demand in any conflict or time of tension on piloted aircraft to conduct surveillance and identify targets. We will attach a high priority to developing an operational airborne early warning and control (AEW&C) capability as soon as practicable.

Our priority for enhancing surveillance in our maritime approaches is to develop an integrated system able to provide continuous, real time coverage of our air and sea approaches by:

- improving our access to capability in space based surveillance;
- acquiring long endurance UAVs with a variety of sensor payloads;
- bringing into service a fully operational OTHR system;
- integrating all surveillance sources into a single system;
- acquiring AEW&C aircraft with extended reach and endurance.

PRIORITY TWO: DEFEATING THREATS IN OUR MARITIME APPROACHES

We have argued that the key to defeating attacks on Australia is the delivery of combat power to deny our maritime approaches to hostile ships and aircraft. Next to the information capabilities which provide the intelligence, surveillance and command basis for that task, our highest priority is the development of capabilities to achieve that by defeating hostile ships and aircraft in our approaches.

We will develop a mix of air, surface and subsurface capabilities, including some able to operate at long range, to pose the most complex possible set of threats to any hostile forces. In doing that we need also to focus on the most cost-effective way of destroying hostile ships and aircraft in the range of different circumstances.

Air Superiority

The key to achieving domination of our maritime approaches is air superiority, to defeat any air attack on Australia, to allow our aircraft to operate against hostile shipping without interference from adversary aircraft, and to protect our ships from hostile aircraft.

Highest priority in this category is therefore given to maintaining the capability to achieve air superiority over our territory and our maritime approaches at least out to the range of land-based aircraft. Our 71 F/A 18 aircraft form the basis of our current capability to do this. This is an effective force which provides us with a good basis to perform this function, but a number of important investment decisions will soon be required to sustain this capability in the future, with upgrades planned for the avionics, weapons and sensors. It will also be necessary soon to consider a replacement for the F/A-18 as it nears its life-of-type around 2010-2015—a very important decision for the Government.

To operate at their best the F/A 18s need to be supported by well-equipped, secure operational airbases in northern Australia, air to air refuelling to extend their range, and AEW&C aircraft. All these systems will therefore have high priority for investment.

Consideration will also be given to investment in ground-based air-defence missile systems where this can be shown to be more cost-effective than investment in the F/A 18 capability.

Most importantly, further investment in F/A 18 aircrew will be given to increase our operational readiness. This is among the highest personnel priorities for the ADF.

Defeating Ships

The capacity to destroy hostile shipping in our maritime approaches is critical to our defence capability. It is important to have a range of capabilities to attack shipping cost-effectively both close to our shores and at great distances, and in all environments.

Aircraft. Within range of land-based airpower from Australia, the most cost-effective way to counter hostile shipping is with air to surface anti-ship missiles (ASMs) launched from aircraft. We operate a range of ASMs, including the Harpoon.

Ships. Within range of friendly aircover, surface ships remain a potent and flexible capability, especially when they are equipped with a helicopter. Their principal anti-shipping capacity is again the Harpoon missile or smaller ASMs launched from ships' helicopters. Ships have a unique capacity to linger in an area of tension for

substantial periods. They are therefore especially useful in periods of tension and transition to war.

We now have fourteen major ships in service or on order. We have no plans, at this stage, to invest in new major surface combatants to increase that number. Rather we are planning to invest substantially in helicopters, Harpoon missiles, ASM defences and other upgrades for the FFGs and ANZACs. That would provide us with a substantial fleet of very capable ships able to operate throughout our maritime approaches and beyond, under land-based aircover where possible and with some capability to operate without air cover, especially in task groups.

We do not consider investment in less capable surface combatants warranted in the light of other investment priorities But the ADF has a continuing requirement to conduct patrol and enforcement operations now carried out by the Fremantle class patrol boats. We will extend the life of the Fremantle class boats for as long as economical, followed by replacement with a boat of similar modest capability. A decision on their replacement will be needed in the next 2–3 years.

Submarines. We are now undertaking a major investment in six Collins class submarines. This will provide a major increase in capability over our previous fleet of six Oberon class boats. They will provide a substantial capacity for a number of roles including maritime patrol and response, and maritime strike.

But the value of submarines as our longest-range and most potent anti-shipping capability in a wide range of strategic circumstances, including regional conflicts, suggest that there would be substantial benefit in expanding our capability further. Additional crews offer a cost-effective first step. We will also begin work soon on enhancement of the current Collins class design to provide a basis for decisions on the acquisition of additional submarines.

Our priorities for developing our ability to defeat threats in our air and sea approaches will be to:

- ensure our air superiority aircraft have a clear advantage over systems they are likely to encounter;

- increase the maritime interdiction capability of our combat aircraft, submarines and major surface combatants by upgrading our ASMs;
- expand our submarine capabilities; and
- make cost effective investments in the defensive and offensive capabilities of our present fleet of major surface combatants.

PRIORITY THREE: STRIKE

Strike is the capability to attack targets in an adversary's own territory. The capability to mount attacks of this sort offers two advantages. Firstly, they would be a cost-effective way to counter forces that could be used against Australia. And secondly, the capability to mount attacks of this sort imposes on any adversary the need to take defensive countermeasures. This is a significant deterrent to hostile action, and itself would substantially reduce the forces available for operations against Australia.

The major element of our strike capability will remain the F-111 aircraft. It remains, even after nearly thirty years in service, unique in the region for its long range and high payload. But it is an expensive capability to maintain and operate. A number of major investment issues arise in relation to this capability at present. This includes the question about how much longer we retain the aircraft in service. If, as we expect, this proves feasible and cost-effective, we will undertake further upgrades to F-111 systems to ensure that we retain a high level of capability in this area.

Special Forces. The capability to undertake highly intrusive Special Force operations imposes higher defensive costs on an opponent—as we know from our own planning to defend Australia from such operations in low level contingencies. It therefore remains an important capability.

Stand-off weapons. We will acquire longer-range stand-off strike weapons for the F-111s, and perhaps also for some other platforms. But we are not proposing to buy very long-range weapons, such as the Tomahawk land-attack cruise missile. Our judgment is that we do not require this type of weapon to meet current strategic circumstances.

PRIORITY FOUR: LAND FORCES

Defeating Hostile Land Forces on Australian Territory

The capabilities we have outlined above should limit the size of any incursion onto our territory and the direction from which it could come. But an opponent could attempt covert infiltration of small numbers by a variety of means, with the intention of carrying out terrorist-style and harassment operations.

Our response to isolated terrorist activity against targets in our capital cities or other major urban areas will rely on our standing counter-terrorist arrangements at least to the point that they became saturated by a concerted campaign. Beyond these terrorist-style operations, even small military forces would be limited to operations in a more confined area—most likely in northern Australia. But there are a number of targets in northern Australia which are critical to our operational capability—our airbases for example—and defending these would require a significant effort from our force. The key requirement is to ensure that we had the appropriate mix of land force capability and airpower support to ensure that we could overcome hostile forces. Effective surveillance and a capacity for rapid reaction is critical. A number of these capabilities were identified in the *Restructuring the Army* study, released last year.

Surveillance of Land Targets

We attach a high priority to our land based surveillance capability in and around key targets, particularly where these are close to our coast. Given the priority we attach to developing an effective capability for surveillance of our maritime approaches, it would not be cost-effective to also develop a wide-area land surveillance system covering all of northern Australia. Rather, the further development of our land surveillance capability will focus on providing additional protection for our key facilities. The elements of the surveillance system needed to protect key facilities will include our regional force surveillance units, fixed wing aircraft, unattended ground sensors and possibly UAVs.

Response

The most suitable way of conducting dispersed operations over a wide area is to integrate combat and combat support elements into a series of task forces. The number of task forces we need is determined by the location of key targets, the distance between them, and the time it would take our land force to respond to threats.

Under this concept, for tasks which the land force may need to undertake at short notice, we will draw together a response force using mainly full-time elements and units from different joint task forces, held at higher levels of readiness and spread across the land force.

We will ensure that the permanent force could provide a brigade group at a high level of readiness for short notice operations. This may require some reallocation of resources provided for *Restructuring the Army* and we will probably need to reduce the number of permanent personnel in lower-readiness task forces. This would be a reasonable approach in the context of our judgments about the long lead times attaching to the types of threats where we would need to undertake large land force operations on Australian territory. Moreover, holding a brigade group at a high level of readiness will give us a substantial initial response capability and be particularly useful for short notice operations overseas.

Once deployed, the priority requirement for our land forces is that they be able to respond quickly to incidents or warnings provided by our surveillance system. We will rely heavily on air transport—we need a mix of helicopters, and light transport aircraft able to operate from improvised landing areas. And at least part of the land force will be capable of conducting amphibious operations and garrisoning to support the defence of the offshore territories.

Within an area of operations, our forces also need sufficient mobility and firepower to prevail over enemy forces. Against the type of incursions that could penetrate our maritime defences, lightly armed forces supported by a mix of armed helicopters and ground vehicles will be the appropriate response force.

The task forces proposed in the *Restructuring the Army* study will also provide a basis for developing the larger forces needed to defeat higher levels of threat. This would complicate an opponent's planning, imposing significant costs on any country attempting to develop the capability for large, sustained ground force activity in Australia. And any attempt to move a large force across our maritime approaches would be highly vulnerable to our maritime strike and interdiction forces.

Our priorities for enhancing our capability to conduct defensive operations on Australian territory are:

- the development of highly mobile joint task forces;
- the development of a limited amphibious capability;
- the development of a land surveillance system to cover key targets in northern Australia comprising the regional force surveillance units, fixed wing aircraft, unattended ground sensors and possibly UAVs; and
- acquisition or improvement of aerial fire support, reconnaissance and troop lift capability.