



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS,  
DEFENCE AND TRADE

(Defence Subcommittee)

**Reference: Australia's defence relations with the United States**

FRIDAY, 2 APRIL 2004

CANBERRA

BY AUTHORITY OF THE PARLIAMENT



## **INTERNET**

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:  
**<http://parlinfoweb.aph.gov.au>**

## JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Friday, 2 April 2004

**Members:** Senator Ferguson (*Chair*), Mr Brereton (*Deputy Chair*), Senators Bolkus, Cook, Eggleston, Chris Evans, Harradine, Hutchins, Johnston, Sandy Macdonald, Marshall, Payne and Stott Despoja and Mr Baird, Mr Baldwin, Mr Beazley, Mr Bevis, Mr Byrne, Mr Edwards, Mr Laurie Ferguson, Mrs Gash, Mr Hawker, Mr Jull, Mr Lindsay, Mrs Moylan, Mr Nairn, Mr Price, Mr Prosser, Mr Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

**Subcommittee members:** Mr Bruce Scott (*Chair*), Mr Price (*Deputy Chair*), Senators Chris Evans, Ferguson, Hutchins, Johnston, Sandy Macdonald and Payne and Mr Baldwin, Mr Beazley, Mr Bevis, Mr Brereton, Mr Byrne, Mr Edwards, Mrs Gash, Mr Hawker, Mr Lindsay, Mr Nairn, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

**Senators and members in attendance:** Senator Sandy Macdonald and Mr Edwards, Mr Price and Mr Scott

### Terms of reference for the inquiry:

To inquire into and report on:

Australia's defence relations with the United States.

Since World War Two, Australia and the United States (US) have developed strong defence relations. In particular, the last decade has seen a new level of defence relations encompassing Australian involvement in the first Gulf War, the invoking of the ANZUS Treaty, and Australian involvement in US led coalitions in Afghanistan and Iraq.

The Defence Update 2003 commented that Australia's alliance with the US 'remains a national asset' and the 'United States' current political, economic, and military dominance adds further weight to the alliance relationship.'

How should the Australian-US alliance be developed to best meet each nation's security needs both in the Asia Pacific region and globally focusing on but not limited to:

- the applicability of the ANZUS treaty to Australia's defence and security;
- the value of US-Australian intelligence sharing;
- the role and engagement of the US in the Asia Pacific region;
- the adaptability and interoperability of Australia's force structure and capability for coalition operations;
- the implications of Australia's dialogue with the US on missile defence;
- the development of space based systems and the impact this will have for Australia's self-reliance;
- the value of joint Defence exercises between Australia and the US, such as Exercise RIMPAC;
- the level of Australian industry involvement in the US Defence industry; and
- the adequacy of research and development arrangements between the US and Australia.

**WITNESSES**

<b>CORDNER, Mr Lee George, Managing Director, Future Directions International Pty Ltd .....</b>	<b>30</b>
<b>DIBB, Professor Paul, Chairman, Strategic and Defence Studies Centre, Australian National University .....</b>	<b>57</b>
<b>JAMES, Neil Frederick, Executive Director, Australia Defence Association.....</b>	<b>13</b>
<b>KOPP, Dr Carlo (Private capacity).....</b>	<b>38</b>
<b>LAWSON, Mr Mike, General Manager, Aerospace and Defence Industries Branch, Department of Industry, Tourism and Resources .....</b>	<b>1</b>
<b>TOW, Professor William, Professor of International Relations, Griffith University .....</b>	<b>48</b>
<b>TROOD, Dr Russell, Associate Professor of International Relations, Griffith University.....</b>	<b>48</b>



**Subcommittee met at 9.33 a.m.****LAWSON, Mr Mike, General Manager, Aerospace and Defence Industries Branch, Department of Industry, Tourism and Resources**

**CHAIR**—I declare open this public hearing of the inquiry of the Defence Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade into Australia's defence relations with the United States. Today the subcommittee will take evidence from the Department of Industry, Tourism and Resources, the Australia Defence Association, Future Directions International, Dr Carlo Kopp, Professor William Tow, Dr Russell Trood and Professor Paul Dibb. I refer members of the media who may be present at this hearing to the need to fairly and accurately report the proceedings.

I welcome Mr Mike Lawson, who is here representing the Department of Industry, Tourism and Resources. Although the subcommittee does not require you to give evidence on oath, I advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the parliament itself.

Resolved (on motion by **Mr Edwards**, seconded by **Senator Sandy Macdonald**):

That the subcommittee accepts submissions 9.1 and 9.2 as evidence to this inquiry.

**CHAIR**—Mr Lawson, would you like to make an opening statement?

**Mr Lawson**—Yes, I will make a short opening statement. I just want to introduce the Joint Strike Fighter program, because it is different to traditional procurement arrangements and to some extent is a herald of future arrangements that will be offered by the United States—I think particularly in the aerospace sector. The situation is that the international JSF program is being run on a competitive basis to ensure the best value objectives of the program are run. That means that traditional offsets, or in Australia's case Australian industry participation arrangements, are just not on offer. So there is no guaranteed work share in the JSF program. That approach is designed to ensure that the costs of the JSF program are kept to a minimum by avoiding expensive duplication of facilities or artificial location of activities in other than their most efficient location.

Australia has accepted this arrangement by joining the system development and demonstration phase of the JSF program and this allows Australian industry the chance to bid for work some years ahead of the contract for the purchase of the aircraft being signed and 10 years ahead of the aircraft entering into service with the RAAF. The work Australian industry wins under this arrangement is real commercial work. It positions Australian firms as participants in the global supply chain, in particular to the US market for JSF and other projects.

The alternative approach that the government could have taken would have been not to have joined as a partner but to wait and negotiate a foreign military sale purchase of the aircraft in due course. That would mean that Australian industry would not be eligible to win work now—it does not get a chance to go into the US market now.

**Senator SANDY MACDONALD**—Would you please repeat that?

**Mr Lawson**—By joining SDD we have this opportunity to be able to bid now for contracts. The alternative to joining as a partner in the JSF program is the normal sort of foreign military sales purchase arrangement which happens when the aircraft is produced and available when we want to buy it in 10 years time. So if we came in at that stage, the aircraft would be designed and developed and the contracts would be out for all parts of the aircraft and all we would be able to negotiate would be that there would be some work share arrangement, some artificial sort of activity in Australia; we would not get a chance to enter the supply chain; we would not enter the market to sell to US firms.

So the current situation is that Australian firms have an opportunity to win work in the global supply chain to get access to the US defence market. However, the submission that I have put in to the committee indicates that this is not an easy task. In the submission I outline the framework under which the JSF program operates, the impediments to winning work, the initiatives that government and industry have taken to address those impediments and the lessons we are learning as we go through the process.

**CHAIR**—Thank you for that opening statement. Could you outline some of the key lessons we have learned from the JSF program thus far? It is quite a different approach to what we have taken in the past.

**Mr Lawson**—Briefly—and I will structure them logically—at one level first it is still important to maintain the political and diplomatic pressure. There is no question. Although this is a commercial process, it is still necessary for Australia to make it very clear at the highest political levels what our expectations are, that we have high expectations of winning work and that we try and use all the facilities. We have done things like the Prime Minister making comments to President Bush when he was here, and that was reported in the press. Ministers have been involved in dealing with their counterparts and dealing with the companies, the ambassador and the embassy and those sorts of things, military attaches. Although the thing runs at a commercial level, I think it would be naive to think that the sort of political diplomatic things are not important.

I suppose coming out of that also in the 18 months that I have been involved in this program, I think—I would not want to overstate this—the sense of the alliance with the United States, the strengthening of that over that period, does seem to have shown itself palpably in the sort of way we have dealings with the US firms and so on. They are very conscious of Iraq, they are very conscious of the free trade agreement negotiations. They are very conscious of those things. So it does not make the commercial negotiation any easier but it does create an environment for that negotiation; it opens the initial door.

A major issue is learning about dealing with the US national disclosure policy restrictions. US national disclosure policy restricts access of foreigners like us to sensitive technologies. For us to overcome that, it is really important that the defence department understands exactly what it needs in-country to operate the aircraft. That does not mean access to all the source code; that does mean the ability to change some aspects of electronic warfare or things like that. So it is very much a defence department need to define what they need in terms of capabilities of the aircraft. That then will ensure that, as we negotiated to join the SDD phase and later on when we negotiate to purchase the aircraft, they are very clear about what they need so that Australian industry then has those rights to have access to that intellectual property or that source code and



so on so they can actually provide the in-country support that the defence department determines that it needs.

Another level of this sort of export licensing arrangement is that the international trade in arms regulations of the United States are quite cumbersome. They impose a requirement for firms to have a so-called technical assistance agreement so that if they want information about a part that they want to bid on they need to be cleared to be able to get the design for that part. That requires that the United States company puts this technical assistance agreement process through the US government. That means the Australian company needs to provide information. So there has been a large learning experience by the Australian companies in what sort of information they need to provide and how they need to make sure of that. Because they are not just dealing with the top four US companies but large numbers of companies who themselves are not necessarily aware of how to engage with foreign companies, it is incumbent upon us to make sure that the American companies do deal with these TAAs in a timely way and get it right the first time. We have had occasions where Australian firms have lost the ability to bid on contracts because the TAA process has not been done in a timely fashion. The important thing is working that—and there is no silver bullet—on an ongoing basis to try and get the US government to streamline the process and make it work very well, to educate US firms about what they need to do and educate Australian firms about what they need to do—that is just an ongoing process that we need to engage in.

I suppose the other block of lessons comes out of the process by which we have engaged in this thing, which is to create so-called industry capability teams, groups of firms in like areas to work together. That has actually been remarkably successful—more than I as an economist would have first thought. Firms are naturally competitors but here we have people who are used to competing with each other learning to cooperate, learning that the competition down the road is not the real competition but the real competition is in another country and that by working together in various ways that they can win work, and that has proved to be quite successful.

**Senator SANDY MACDONALD**—The SDD stage is if and when we agree to take the aircraft. Is that right?

**Mr Lawson**—No; I am sorry. The SDD is system development and demonstration. That is the phase that we signed up to in October 2002, the current phase that we are in. In the later phase we will sign a MOU for procurement and sustainment of the aircraft.

**Senator SANDY MACDONALD**—Could you explain a little bit about the position of the lead contractor, whether we have people working within the Lockheed Martin operation, the number of Australians there, the number of Australian companies likely to bid for contracts and also the likely success of those bids?

**Mr Lawson**—Lockheed Martin—the way the thing operates is that there is at the government level a thing called the joint program office in which the Australian government, the defence department, has a representative, and that provides some insight into what is going on in terms of—

**Senator SANDY MACDONALD**—Is that person an engineer, for argument's sake?

**Mr Lawson**—Yes; military. They are mainly there on the military capability side of things but they also through that role are able to get some access or some visibility into the sort of contracting information on the albeit not perfect databases that are available in the United States on where the contracts are, who has those contracts. But at the company level, Lockheed Martin set up an international program office made up of their own American employees whose job it is to try and make sure that the international partner countries get a fair look in on contracts. So they operate in helping the transfer of information about capabilities and opportunities between the two countries and they are a route into making complaints about processes not having gone right or seeking extensions because an opportunity has been provided at very short notice and those sorts of things. So they are Lockheed Martin employees.

We do not have Australian industry employees set up to do that. The Australian employees are people who have been employed as, for example, engineers to help them think about specific work. Often the starting point of a contract is to send some Australian engineers from GKN aerospace services or Marand Engineering or Hawker de Havilland—they have all put engineers into Lockheed Martin's operation or some of their other partner companies as a starting point for them to become aware of what is required over there and for us to prove our capabilities to help them out. For example, one area that has been thought about is that Australian machine toolers have experience in production processes for the auto industry and because this is such a large production process by aerospace standards the United States companies have been looking to Australian machine toolists to see if that experience with the Australian auto industry could actually be shifted into the Lockheed Martin process of building these planes. That is a bit surprising at one level because there are very big auto industries in the United States, but they are even at a larger scale and they are not really interested in talking to Lockheed Martin about that. But the Australian experience in the auto sector is more translatable, possibly, we hope, to the US aeronautic sector on this particular project. So they are the sorts of Australians who end up in Lockheed Martin.

**Senator SANDY MACDONALD**—How many are there?

**Mr Lawson**—Not many. I think GKN have about 20 people—but I will have to confirm that—working in the US.

**Senator SANDY MACDONALD**—Who are GKN?

**Mr Lawson**—GKN is the Australian subsidiary of a UK aeronautical engineering company that has won some of the business. Often these cases are individuals, just one person has gone at the start because they want to establish a relationship with one person in the United States and then the work comes back to be done in Australia. So it is often just one person from some of the companies.

**Senator SANDY MACDONALD**—You said that the JSF program heralds the future of cooperation with the United States. You are confident that Australian industry will be able to participate, but you cannot hazard a guess as to how successful or otherwise that cooperation may be at this time.

**Mr Lawson**—No. The Americans are signalling that they are looking to use this competitive, market orientated approach—which they have set up the JSF program to work on—in other

areas. It provides some positive things in terms of people getting into the global supply chain and getting access to the US market instead of just working in Australia. That is the difference; that is the positive side. But there are no guarantees. It is a competitive process, and we have competitive disadvantages because we are 12,000 miles away. In many cases our firms do not have an established relationship with these American companies and many of our firms are small, so they are perceived as risky. The physical distance means there is a lot of time and expense involved in face-to-face meetings, inspecting Australian facilities and so on, and our people are not experienced in doing business in the US, so it is very tough for them to do it on a commercial basis.

There is the additional problem of the ITAR export licensing arrangement, which is a sort of regulatory barrier. Developmental projects are not extremely well planned with a clear and unchangeable plan. Things change and opportunities crop up, and the ITAR process might prevent us from taking advantage of those opportunities, so it is an extremely tough game. So far a bunch of companies have got small contracts. Most of them think that they are going to be able to work those through to the next phase. The SDD phase is only producing 22 aircraft. The low-rate initial production which will come in later in this decade will produce 400 aircraft. After that, the full production process will produce two to 5,000 aircraft, depending on how many are bought. There are real challenges in moving up to that scale. There are opportunities but there are no guarantees.

**Mr EDWARDS**—You note that Australia is currently seeking an exemption from the international trade and arms regulations, ITAR, but that it is held up in the congress. Where do you see it going? How do you see that developing?

**Mr Lawson**—The Department of Defence handle that, so I have not been directly involved at all. My impression is that they do not see it going very far. It seems to be held up pretty strongly in the House of Representatives.

**Mr EDWARDS**—I find it surprising that you are not involved in it. I understand it may be a Department of Defence thing, but I am rather astounded that your department and perhaps you are not involved in the process of trying to win that exemption.

**Mr Lawson**—Our involvement has been in talking with Australian industry about whether this will provide a benefit. The ITAR exemption means that we will have to pass our own acts and so on and impose security restrictions that Australian industry will have to work with. We work very closely with the Department of Defence and there is a whole industry policy division within the DMO that has the main carriage of defence industry policy areas.

**Mr EDWARDS**—But your department also has responsibility.

**Mr Lawson**—Yes.

**Mr EDWARDS**—It is a point that we might need to come back to. It does not seem to me to be beneficial to Australian industry to have your department excluded from that process.

**Mr Lawson**—I would not say that we are excluded.

**Mr EDWARDS**—But you are not involved in it.

**Mr Lawson**—I do not want to overstate the involvement. We are aware of what is going on. We talk about the issues with our Defence colleagues and discuss the issues, but I have never gone to the United States to be involved in direct negotiations.

**Mr EDWARDS**—The point, it would seem to me, is that Defence might be good at defence but they might not necessarily be good at international trade issues and breaking down exemptions.

**Mr Lawson**—They have the assistance of the Department of Foreign Affairs and Trade.

**Mr PRICE**—But isn't that a three-way thing? It is a pretty important barrier, I think, so what are we doing to marshal our efforts in trying to get this through congress, acknowledging that it is no easy task? Is there an interdepartmental committee working on it? Are there joint meetings between Foreign Affairs, Defence and Trade and your own department?

**Mr Lawson**—I am not involved in those meetings; I am involved in telephone conversations about the issue. I know that the embassy in the United States and the foreign affairs and trade department work with the defence industry policy area on those issues.

**Mr EDWARDS**—If you are not involved, is anyone else from your department involved?

**Mr Lawson**—No, I do not think so.

**Mr EDWARDS**—So your department is not involved in any way.

**Mr Lawson**—Not involved in the sense of being part of a negotiating group in the United States. We are involved in the sense that we put our views—

**Mr PRICE**—You talk to Defence.

**Mr Lawson**—We talk to Defence and put our views in and discuss the—

**Mr PRICE**—But there is no concerted government effort involving a number of departments to try and collectively devise an approach to overcome the roadblock in the congress.

**Mr Lawson**—I think there is amongst the departments that have most carriage of the issue. Mine is a supporting role.

**Mr EDWARDS**—You would have a stake in it.

**Mr Lawson**—Yes.

**Mr EDWARDS**—If you have a stake in it, I would make the suggestion that you ought to be involved in the lobbying process or, as my colleague says, in trying to remove that roadblock. It

just makes sense. It is something I think we need to look at as a committee and perhaps there is a need to come back to that as part of our recommendations.

The only other question I have is once again in relation to the best value approach. On page 6 of your submission—I think it is there—in the second paragraph, you say that the best value approach requires industrial partners. So I have two questions in relation to this. First, how difficult is it for Australian business, SMEs, to form those industrial partners, and are you involved in that process? My second question relates to your final sentence, which talks about competitive pressure on those firms. This will of course imply ongoing competitive pressure on those firms that have won initial contracts. I am just concerned whether, having won initial contracts, in your view we will remain competitive enough and endure through the process to ensure that we can maintain that competitive capacity and that, once having won a contract, the pressures will not be such that they force incredible pressures which may mean that the firm cannot maintain what they have won. Is that a concern?

**Mr Lawson**—Yes.

**Mr EDWARDS**—I am sorry; that might have been a roundabout way of getting there.

**Mr Lawson**—Because this is a competitive process, the only contract that Lockheed Martin have at the moment is the SDD phase for the aircraft. There is not a contract yet to produce the full range of aircraft. So the sorts of contracts we have at the moment are around that first phase. The signalling from Lockheed Martin is that, having won a SDD contract, the follow-on contract is then yours to lose—but the reality is that they will have pressures on them to keep costs down. So we are certainly not staying complacent in the sense that having won an SDD contract we can forget about that and move onto other areas. We continue to work with the Australian SMEs, mainly, to make sure that they are in a good position to win the follow-on contract. Because it is a commercial competitive situation, you just cannot afford to be complacent.

The specific issue that Australian firms, SMEs, have in dealing with this is that there is a major increase in the scale of the program coming up, so they have to have plans for growth. The good message is that in Lockheed Martin, Northrop Grumman and so on providing these SDD contracts they have already looked at that issue. They are not providing contracts for SDD to firms that they do not believe will be capable of growth. The firms in their bids have to talk about their strategy for growth and their ways of managing the risk associated with that. So they are doing all sorts of things—and often through our industry capability team process—like creating partnerships amongst SMEs so that together they can achieve the scale and have plans about how they will grow. We have helped them by running seminars with the finance sector to try and get information transferred to assist them getting access to finance for growth. We have high expectations that those existing contracts will be converted into full-scale production contracts, but I do not think that can be taken for granted at all.

The start of your question really concerned how we work with the firms together, and I think that is the main basis of our department's involvement in this JSF process—partnering with Defence to facilitate the creation of what we have called industry capability teams where teams of companies work together to share information between themselves, on the lessons they have learned, about how to deal with ITAR issues and often even on the contracts that are being

issued. They work together to make joint bids to win specific sets of work. A couple of these firms came together and jointly purchased a \$5 million machine that was required to get work.

**Mr EDWARDS**—Big capital outlays.

**Mr Lawson**—Yes. I think the bigger firm of the pair has about 120 employees and the smaller one has 50 employees, so that sort of expenditure for them is quite large, but they need it. It was very clear that to win that work they needed a very large-scale, five-axis, computer-driven cutting machine. With the help of the government in facilitating the relationship with the US customer and the fact that the individual firms have been working together for over a year in this process, they have built up such a level of trust between themselves that they have jointly purchased this piece of equipment or arranged for it to be purchased. One of them is based in Melbourne and one is based in Queensland. They have located the thing in Queensland, and the Melbourne people have some people in Queensland.

**Mr EDWARDS**—What government assistance might be available to assist these firms to purchase this sort of capital equipment? It is a fairly risky outlay in a very competitive market.

**Mr Lawson**—Absolutely. I have a package of material. We produced a guide to Commonwealth, state and territory industry support programs for the JSF program. There is a large number of various forms of government programs that assist firms in different ways, and we produced a bit of a summary of those within the JSF world to help firms get access to whatever programs the Commonwealth and the various states have. But our main role in this is to facilitate a commercial outcome. There is no particular reason that a government would want to subsidise that purchase as opposed to somebody else's purchase of capital equipment. Taking taxes from one to give to another requires a pretty good test that it is actually going to increase the welfare of everybody.

**Mr EDWARDS**—I will be interested to have a look at that.

**Mr Lawson**—Yes. What we are trying to do there is to facilitate. The very interesting thing that I think came out of that is that those firms were originally looking to government. The first reaction was to ask, 'Will government buy us this equipment?' The Americans have a propensity to ask, 'Why doesn't the government buy you the equipment?' because of course that would subsidise them. But, in the end, all it required was one of my guys helping the firms to get together. A bunch of firms got together, talked it out and said, 'Together, we can buy this.' Together, they made the commercial decision.

**Mr PRICE**—Mr Lawson, thank you for your submission. There were some interesting aspects to it which my colleague has already canvassed. Is our defence industry relationship with the United States only rooted in the JSF program? Because that seems to be what you have covered. I appreciate that it is a very big contract and very exciting and that you would want to spend some time on it.

**Mr Lawson**—No, it is not; it is much wider than that. I spoke with the secretary of the committee and we thought that to talk in some depth about a specific project that I am most strongly involved in would provide some—

**Mr PRICE**—That could have been unfortunate. Can you tell me the current level of defence exports in Australia and what percentage goes to America? What has been the trend in defence exports?

**Mr Lawson**—I do not have those figures in my head.

**Mr PRICE**—Will you take that on notice?

**Mr Lawson**—Sure.

**Mr PRICE**—Do you know whether they have been increasing or static?

**Mr Lawson**—Again, I do not know.

**Mr PRICE**—You mentioned the defence industry, which is characterised by a lot of firms. You said that that presented problems. Could you give us a snapshot? My understanding is that there are a lot of firms, but we are mostly dominated by foreign subsidiaries established in Australia.

**Mr Lawson**—The traditional, if I can use that word, defence industry which has supported the Australian defence forces is made up of some subsidiaries of multinationals and some Australian companies—large Australian prime contractors and a large number of SMEs—like much of the rest of the Australian economy.

**Mr PRICE**—There are some very dynamic ones, too.

**Mr Lawson**—Yes. That reflects, to some extent, the traditional arrangement where the role of the defence industry has been in providing support for Australia's defence forces, so the main focus of the subsidiaries of the multinationals tended to be on the Australian market and not on export markets. To some extent that has changed, but the focus has been on working towards the Australian market. Again, that would have been true of the automobile sector five or 10 years ago. What has been a little interesting in relation to the JSF program is that, because of direct government involvement in facilitating the transfer of information, it has provided a chance for Australian SMEs to get direct access to the US market or the overseas market, which they would not normally get. Normally they have to operate through a local prime contractor which may be a subsidiary of a foreign multinational or an Australian based company.

**Mr PRICE**—I appreciate that your submissions are based on the advice of the secretariat. I for one would be interested in a broader mapping of defence industries. Should you wish to provide additional material to the subcommittee, I would be more than interested in that.

**Mr Lawson**—Right.

**Mr PRICE**—In fact, I do not know how we will do the report without that, if we are talking about defence industries. Given the DSTO is the second largest research institute in Australia—and I think it is fair to say that there has been an increasing drive between successive governments to protect intellectual property, to get greater industry involvement and to commercialise some of the research—how is that progressing? Are you able to comment on that

in broad terms? Is that in any way adding to our export opportunities? In particular, DSTO has very close relationships with its American counterparts. To what extent is that benefiting Australia and Australian companies?

**Mr Lawson**—I understand that the Chief Scientist has a review going on at the moment of the—

**Mr PRICE**—We have not heard from DSTO, I should point out. We have not heard from anyone from the defence industry side. We may be doing that, but I am not sure when.

**Mr Lawson**—As I understand it, the Chief Scientist is doing a review of precisely those sorts of issues—the commercialisation of DSTO—

**Mr PRICE**—It is not a new thing.

**Mr Lawson**—No, it is not a new thing. There are success stories. I understand that Nulka, which BAE Systems have exported to the United States, has netted \$500 million worth of exports. That comes out of DSTO research. When we had various meetings with firms involved in the JSF program, it became clear to us that they had a belief that R&D work going on in DSTO could be commercialised, and there was a real need to increase the communication between DSTO and industry. There are obviously difficulties with that, with IP protection and classified information. Clearly, doing more of that is a useful thing.

My department and the defence department have organised a science and technology conference later this month, where industry and DSTO will be providing information about R&D projects—not that those things will get into the initial phases of the commercialisation of the JSF program but, like most of these defence things, the JSF program goes on for a number of decades and has an upgrade process through time, so we are looking towards commercialising Australian research and development by both the firms and DSTO. We are trying to facilitate that process. I have some material about that which I will hand to the secretariat.

**Mr PRICE**—I would be most grateful for that, particularly if you could give us a snapshot, since that review, of the department's assessment of the success to date in relation to that. If you were able to quantify that and tell us what you are looking at in the future, that would be even better. I think DSTO is a very important body. It would be disappointing to learn that we are not optimising its value to defence specifically but also the spin-off benefits to defence industries. I think you should have a view on that. I know that in previous reviews your department certainly had some very strong views about what should and should not be done in relation to DSTO and defence industries. If you could provide that I would be very grateful.

There was always a debate about whether we should buy Australian and maximise self-sufficiency in Australia or buy overseas and off-the-shelf. That seems to have changed to whether we buy overseas and American and second-hand. Do you have a view about that tendency and its implications for defence industries?

**Mr Lawson**—From a whole-of-government perspective we think that you buy defence equipment to defend Australia and not to support Australian industry. That is the starting point—



**Mr PRICE**—I think you have upset my colleague Mr Edwards!

**Mr EDWARDS**—I am convinced that that is what is happening!

**Mr Lawson**—and our department strongly supports that view. But you need to make sure that the in-country support that is necessary is available and that any opportunities to develop Australian industry are captured. We come at it from that perspective.

**Mr PRICE**—Do you have a view about how Australian industry benefits from buying second-hand American equipment—for example, the Abrams tanks and the helicopters?

**Mr Lawson**—No.

**Mr PRICE**—Defence, I think with the support of your department, has for a long time supported Australian industry involvement in its purchases. I think that approach that has been valued by industry and has been beneficial to Australian defence industries. I apologise that I have not read the proposed free trade agreement but I understand there may now be some difficulties with the approach, which I think has been a bipartisan approach for some time, in terms of Australian industry involvement and stipulating that in future defence contracts.

**Mr Lawson**—That is not my understanding. The government procurement chapter of the free trade agreement precludes strategic military purchases.

**Mr PRICE**—What is the difference between military purchases and strategic military purchases? What falls within that definition and what falls without?

**Mr Lawson**—There is a long list on the web site—

**Mr PRICE**—I apologise that I have not read it.

**Mr Lawson**—Basically, everything significant is military; it is weapons and platforms and parts thereof. Defence purchases of things like paper, paperclips and so on are not strategic, and those sorts of things are not excluded; it excludes anything that is important for the defence of Australia. That is the basis of our Australian industry participation scheme; it is about getting the fourth arm of the military—the industrial base that is required to be able to provide in-country support and so on. My understanding is that that stuff is specifically excluded.

**Mr PRICE**—You have outlined in your submission some of the difficulties with dealing with the American defence industries. Are you able—and I know that there is a reluctance and it is sometimes difficult to do—to outline where Australian defence industries will be in, say, five years time? Will we have been able to dramatically increase our exports to America or do you see things being static? Are we reaching our potential? How does your department see it?

**Mr Lawson**—We see potential for growth. Earlier this week I facilitated a meeting of 25 firms in the airframe, vehicles and propulsion systems industry capability team where the firms mapped out their goal of where they want to be in five years time. They see growth opportunities, so they were optimistic—and that is within the JSF framework. The other thing to note is that military purchases tend to be lumpy, so the difficulty in pulling out trends and a

number in one year does not necessarily mean much. You could well have some particular export project that has stopped and then a new one coming on, so annual variations do occur. The law of large numbers does not apply to small numbers. I think that the JSF experience is showing that there are opportunities if you can get in at the start of a project and into the global supply chain. The more traditional export process where we are trying to sell directly to a foreign government—so selling a missile or decoy system or things like that—is quite different to this sort of process where you are trying to integrate and sell parts to foreign defence companies. The Americans are signalling that they are moving towards more JSF type projects that will provide more of those sorts of opportunities for us to be involved.

**ACTING CHAIR (Senator Sandy Macdonald)**—Thank you for your attendance here today; it has been very helpful. I know Mr Price has asked you to provide additional material for a couple of questions, and I would be grateful if you would forward that to the secretary.

**Proceedings suspended from 10.23 a.m. to 10.36 a.m.**

---

**JAMES, Neil Frederick, Executive Director, Australia Defence Association**

**ACTING CHAIR (Mr Price)**—Welcome. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. If you would like to make an opening statement, you should proceed now.

**Mr James**—The Australia Defence Association thanks the subcommittee for its invitations to make written and oral submissions to this important inquiry. As noted in the association's formal submission, the ADA was founded in Perth in 1975 by a retired Air Force chief, a leading trade unionist and the director of a business peak body. The association is proud of its established reputation as Australia's only truly independent and bipartisan community watchdog and think tank on national security issues. We have been monitoring Australia's collective defence and wider strategic alliance with the United States for nearly 30 years and consider that we bring a long-term and a practical perspective to the table.

The association would like to preface this oral submission by making eight brief points. First, the ADA's formal submission was prepared by a specially convened policy group and approved by the association's board of directors before submission. Second, the ADA notes that this inquiry is occurring during one of the periodic eruptions of public anti-American agitation and apparent anti-American prejudice by some strident minority groups in Australian society. The association has long experience of such phenomena stretching back to the end of the second Indochina war in 1975. We consider that such prejudices and the actions undertaken as a consequence do not enjoy the support of the great majority of Australians. We furthermore note that such apparent ill-feeling towards Americans and to Australia's defence and wider strategic alliance with the United States is caused not so much by events such as the recent US led collective intervention in Iraq as by long-term core ideological motivations underlying the organisers of such protests.

Third, the ADA continues to believe that Australia's collective defence and wider strategic alliance with the United States is a good thing. The alliance is of continuing considerable benefit to both countries in particular and to the stability of the wider Asia-Pacific and closer South-East Asian regions in general. Fourth, we do not see any practical or moral alternative to the alliance for the foreseeable future. This is especially so when major powers within the region remain governed by totalitarian, authoritarian regimes and when the threat by transnational Islamist terrorism is likely to remain significant for decades. Fifth, the overall strategic situation in the Asia-Pacific region remains uncertain at best. It does not appear that in the immediate or mid-term future we will again enjoy the type of relatively benign strategic environment we encountered in the closing stages of the Cold War and for most of the 1990s. For the foreseeable future, for a range of practical and moral reasons, the world's principal democracies must continue to hang together. As more states in our wider region democratise, we may again enjoy a more benign strategic environment, but this appears to be still some way off.

Sixth, the ADA notes that Australia's alliance with the United States is not always a smooth one, nor should that be expected when its participants are both vibrant liberal democracies with perhaps insufficient understanding of each other's history. Our many similarities also mark

important differences in outlook. The tendency of much of the American public to look inwards rather than outwards at the rest of the world is always somewhat of a problem. Its mirror image is the tendency towards complacency among Australians in general, rather than an effective acknowledgement or acceptance that common burdens must be shared among the world's democracies. We continue to rely on the US a great deal, but many Australians often seem reluctant to recognise or acknowledge this.

Seventh, the common and perhaps growing American ignorance of foreign ways means trusted and long-term allies such as Australia have an important role to play. We can help in explaining unfamiliar situations to the American public and we can assist in assuring Americans that they will not have to shoulder perceived or real international burdens alone. Put another way, it is our respective national strategic interests that motivate and structure the alliance, but it is our many shared values and cultural similarities that provide such an efficient and long working lubricant to overcome the inevitable periodic frictions.

Finally, we believe that major strategic issues such as Australia's defence and wider strategic alliance with the United States should be better managed and better understood by the Australian people. We suggest that there are two immediate structural steps that would help in this regard. Firstly, future government white papers on national security issues should be integrated. Separate Defence and DFAT white papers should no longer be produced on national security matters. Secondly, Australia should adopt a statutory national security council to holistically manage the gamut of political, diplomatic, economic and military strategic issues involved with national security decision making.

Thank you again for inviting the Australia Defence Association to provide submissions to your inquiry. We hope that the content of our formal submission, especially the broad recommendations at its conclusion, are of assistance to the committee's inquiry and subsequent deliberations.

**Mr EDWARDS**—Thanks very much for your submission, which I read with interest. One of the issues that we are interested in as a committee is interoperability. In your submission you say, on page 5:

There is an important distinction between the two principal forms of achieving interoperability: common doctrine and commonality of equipment or platforms (including their supply and maintenance chains). The first is more important than the second.

... ..

Commonality of equipment for commonality's sake must, however, be avoided in ADF capability development.

I wonder, Neil, if you would like to expand on that issue. It is quite important to the committee's deliberations.

**Mr James**—The perspective I bring is that I have served with the United States, Canadian, West German, British and New Zealand armies, and through family connections I have a pretty good understanding of the Irish army. Funnily enough, it is my connections with the Irish army that bring this home to me. Because of Ireland's neutral status, the Irish army has very few

exchange postings. It has been fascinating to watch how the professionalism of the Irish army has atrophied over time, basically because their interoperability has suffered and they have never been able to benchmark themselves to world-class standards. There are a number of other reasons that come into it, but they are not germane to this discussion.

The simple thing about interoperability is that the doctrine, the thinking and the procedures are far more important than the equipment. There has been some discussion in the press lately, for instance, that the current government appears reluctant to buy anything but American equipment. I do not know whether that is true or not; you would have to ask the current government. Our position would be that you can achieve interoperability with dissimilar equipment at times, and we should not necessarily always buy American just for purported interoperability purposes. A good example is the attack helicopters. Quite frankly, the European helicopter was the best helicopter. That is why it was eventually chosen—because it came out on top. We applaud that decision and we are watching with interest other similar procurement decisions that are being taken at the moment.

The other quick point I would add here is that sometimes our desire to buy non-American or to develop things internally by adapting foreign designs from non-American sources has resulted in orphan platforms in the Australian Defence Force. We have had enormous teething problems with a number of these orphan platforms—the Collins class submarines being a good example and the Bay class minesweepers probably being the best one. That is why it is the position of the Australia Defence Association that, in terms of interoperability, doctrine is more important than equipment commonality—although equipment commonality is important—and the operational requirement of the Defence Force should drive the procurement decision, not any perceived need to stay in with the Americans by necessarily buying American equipment if it is inferior.

**Mr EDWARDS**—I have two other questions flowing on from what you have had to say. The first relates to, for instance, the purchase of the Abrams. I am aware of a number of commentators who support that decision and others who oppose it for a range of reasons. I want to draw your attention to a magazine called *Contact* which did a very good analysis between the Challenger 2, the M1 Abrams and the Leopard 2. The Leopard 2 came out very favourably; indeed, the magazine probably rates it better than the other two. But they made the point that sadly the Leopard 2 is not compatible with either the US or Great Britain. They argue in favour of interoperability and, for that reason, they would choose the Abrams. This is precisely the issue that you are talking about in terms of interoperability. I am wondering if you can comment on that particular example, recognising that interoperability is not just about one platform or another.

**Mr James**—I think the *Contact* article needs to be looked at in context. For instance, in the last issue of *Defender*, our national journal, we had a five-page article comparing all three tanks. The difference between our article and the *Contact* article essentially is that we looked at it from the Australian perspective, whereas *Contact* was looking at it from a more international and perhaps neutral perspective.

I had 31 years in the Army and in fact, like you, I am old enough to remember the old Centurions. I have operated with Centurions, I have operated with Leopards and I have operated with British, American and Canadian tanks. I think the decision to buy the M1 was probably the right one. When I first started to look at the three of them, I personally leaned towards the

Leopard 2 but, after reading all the data and looking at what they were to be used for both within Australia and within the region, the M1 appeared to me to be probably a better deal.

The key thing that swung it in this case, I believe, is simply the logistics over time. Too often when we think of interoperability, we think only of the tactical deployment of the unit or formation, but I think really the enormously long production run of M1s and the 4,100 of them that are in service basically means we are unlikely to have a spare parts problem for the next 20 or 30 years. You could not really give that assurance with the Leopard 2. So, in this case, whilst it was a purchase of American equipment, I think the actual tank did win and there are obvious interoperability advantages that flow from using a piece of equipment that we share in common with the United States.

**Mr EDWARDS**—I want to turn to some evidence given to us by Mr Hugh White, Director of the Australian Strategic Policy Institute, in talking about tanks. He made the point to us that he was not a supporter of the Abrams tank purchase. He said:

What we need for our own neighbourhood is primarily a light infantry up to maybe a light mech level army, well supported, all the fire power that you need, but it does not seem to me that a heavy tank is a cost-effective way of providing that kind of support.

He then said:

My sort of oneliner on this is that I would rather have three extra infantry battalions—light infantry battalions—than 55 new tanks.

I would appreciate your perspective on that.

**Mr James**—If I could paraphrase Christine Keeler, he would say that, wouldn't he?

**Mr PRICE**—We are old enough to know what you mean.

**Senator SANDY MACDONALD**—Explain a little bit more.

**Mr James**—I have some trouble with this argument. I often fall back on the old Morshead quote from North Africa, that one tank is worth a battalion of infantry. Mind you, that was in desert warfare. The Australian Army has employed tanks in the region extensively—in Borneo, Bougainville and in Vietnam, operationally. Close country is absolutely no barrier to armoured vehicles. We are not buying this tank for tank-on-tank warfare; we are buying it to protect our infantry. Only in the last week, I have been reading Peter Brune's wonderful book *A Bastard of a Place: The Australians in Papua*, which walks through the campaigns in the Kokoda Trail, Milne Bay and the Buna, Gona and Sanananda beachheads. Anyone who reads the chapter on Gona alone—where we lost numerous casualties assaulting Japanese positions that they had had 14 months to prepare, with insufficient artillery support and no armour—really comes away from that thinking that just one tank at Buna or Gona would have made an enormous difference.

I think that Mr White perhaps has the perception that the Army is buying this tank to use in places like certain north Asian peninsulas or the Middle East. That is certainly not my understanding of Army doctrine on this. Indeed, in a previous life I helped write some of this

doctrine. We are buying this tank to protect the infantry and to reduce casualties. Anywhere, basically, that you can take a heavy D5 bulldozer, you can take a tank. It can be carried on most commercial and Navy amphibious ships and barges. We are not talking about using these tanks to assault beachheads like Tarakan, Balikpapan or Labuan; the tank would be landed over a secured wharf and then used later on. The ADF as a whole does not have the capacity to support an amphibious opposed landing by tanks. I have yet to see any definite proof that we cannot employ tanks in most places in the region.

With respect to using lighter armoured vehicles, very extensive studies have been done by the Australian Defence Force and the Americans too into lighter armoured vehicles. The most common one quoted is the US Striker vehicle, which is a modification of the LAVs—light armoured vehicles. The Americans are now scaling back on their number of Striker brigades because they have found that the Striker is not as successful as it could have been. This really just mirrors the experience that the Americans had with the M51 Sheridan light tank in the Vietnam conflict and in the NATO theatre. It is all very well to have light tanks, but most anti-armour weapons will take out a light tank, so you actually need a heavy tank to protect yourself against light armoured weapons and then take out the infantry that are firing those weapons. I know from personal experience, for instance, in northern Australia, that tanks are the most manoeuvrable of all the three armoured vehicles. You can take tanks across the black soil plains at the Top End, places where you cannot take LAVs and M113s—and that is pretty similar to large parts of the archipelago and South-East Asia.

So I have no doubt that the Army needs tanks. As I may have remarked on a previous occasion, in the late 1940s the Army had 850 tanks. When we bought the Centurions in 1954, we bought 250. When we bought the Leopards in 1977, we bought 105. We are now only buying 59 M1s. To me, that quite clearly shows that the progression is that we are buying just enough tanks to do the job we need to do in combined arms teams. We are certainly not buying tanks through any grandiose notion of prosecuting armoured warfare either in our region or elsewhere.

**Mr PRICE**—It is an interesting view—if I could just follow up that question.

**CHAIR**—Do you want to keep on the subject of the tanks?

**Mr PRICE**—Yes. There were requests for Australia to provide—and in fact, I think, some speculation that Australia was going to provide—an armoured brigade for Iraq. I guess my concerns are that, if we are buying these tanks so that we will not be in a position of saying to the Americans, ‘We cannot send an armoured brigade,’ then I am very dubious about the decision. The other point is that I appreciate that Headstart did a lot of modelling with DSTO, and, yes, tanks do save lives, but why this tank? We have to buy temporary bridges—with a \$16 million announcement yesterday, I think, or this week—so we can transport them. What is our lift capacity in terms of Navy getting them to the region should they be needed in the region? How many trips would be involved? It does seem to me to be a puzzling decision—let me put it that way. Do you have any response to that?

**Mr James**—The only point I would make is that we would have to buy bridging no matter what tank we bought. The difference between the three tanks under consideration is the operational weight is only about three tonnes. To all intents and purposes, operationally, that is virtually meaningless.

**Mr PRICE**—Don't the Singaporeans have a very light tank?

**Mr James**—I actually could not answer that off the top of my head. They certainly have some heavier tanks. I am not certain what light armoured vehicles they have. Of course, the Singapore army is designed to fight only in the streets of Singapore and in Johor Bahru. They do not have the range of potential operating environments that we might have to face. Getting back to the tanks, we are only buying 59. This effectively equips two operational Sabre squadrons in the armoured regiment and a training squadron. We are no longer going to have an Army Reserve tank squadron, for example, based at Puckapunyal in Victoria. The Australia Defence Association thinks that is a bit of a pity. Australia has not had an armoured brigade since 1957 when the last two armoured brigades, both in the Army Reserve, were taken off the order of battle. The 1st Brigade in Darwin is not an armoured brigade because an armoured brigade would have two regiments of tanks and a regiment of mechanised infantry. One brigade has only two-thirds of a regiment of tanks and one battalion of mechanised infantry, so it falls somewhere between a mechanised brigade and an armoured brigade.

In terms of sending an armoured brigade overseas, as the ADA noted publicly at the time, the proposition is ludicrous. We did not have one and, what is more, because we had not updated our Leopard 1s they were totally incapable for modern battle in the Iraq theatre of operation. There was never a possibility that we could have sent an armoured formation to Iraq. The position of the Australia Defence Association is that that is scandalous—not that we could not have sent one, but that we actually did not have an army modern enough to send one should a government choose that or a similar deployment. In terms of armoured brigades, I think we are really spitting into the wind to some extent.

The other point that the ADA would make on this whole subject is that we actually believe what the Army is saying when they say they are buying this tank to protect infantry. Commonsense tells you—it certainly tells me—that, as we can probably only deploy one squadron of tanks at a time—which is, depending on the doctrine, somewhere between 16 and 20 gun tanks—we have enough amphibious lift to do that now. I also do not think that there would be too many senior Army officers or indeed senior ADF officers who would ever recommend to a government that we would integrate a tank squadron at unit level into, say, an American tank battalion. Whilst we are quite comfortable operating with the Americans, we prefer to contribute either independent formations or niche forces like the special forces in the Iraq theatre of operations and the FA18s, where we retain a reasonable degree of national command authority and independence over the operations. We retain a reasonable chance of getting our own geographic area of operations, and also it minimises the normal operational differences between us and the Americans.

Whilst our overall doctrine is pretty interoperable with the Americans and them with us, at unit level and down it is always a bit risky when you lend people to another country. If you are going to lend someone under command of someone else's tactical operational control, surely it is always better to lend a self-contained unit of some description. That is why I personally do not believe that we will ever contribute a squadron of tanks to an American tank battalion in a theatre like Iraq. I think this tends to back up the Army's theory that we are buying this tank to protect Australian infantry in Australia or in the nearer region.



**Mr PRICE**—Why did we not deploy tanks to East Timor, given how critical you are saying that they are?

**Mr James**—There were two reasons why we did not deploy tanks to East Timor. The first reason is that only one squadron of the Leopards in 1st Armoured Division were in a battleworthy state. That was mainly because, due to the machinations of people like Mr White, and the beliefs they propagated, the tanks had not been sufficiently updated in the previous 20 years. The second reason is that we had a squadron of tanks in Darwin on 24-hour notice to go to Dili. They could have been landed in Dili within 24 hours. The Indonesians were unofficially advised of this—as they were of the F111 force standing by at RAAF Tindal.

There are a number of reasons why sanity prevailed in elements of ABRI at the time, and you cannot really testify that any one of these things alone did it. The superb professionalism and restraint of the Australians in a very dicky situation stopped some of the hotheads in ABRI from doing things. The threat of massive retaliation from Australia obviously contributed, and part of that was that the Indonesian army knew that, even though they outnumbered INTERFET, particularly in the early weeks, if they did start a long, knock-down, drag ‘em-down fight with the Australian infantry, the Australian infantry would be backed up by heavy armour within 24 hours. We will never know—because this is one of history’s hypotheticals—but I think sanity prevailed on the Indonesian side. Whilst we did not directly use the tanks in East Timor, they were on standby to go. The Indonesians knew that, so the deterrent effect of the tanks was there. It is the same with the bomber force: no Australian bomber has dropped a bomb since 1971, but that does not mean the bomber force does not provide an ongoing deterrent. The tanks are a similar thing.

**CHAIR**—One page 6 of your submission you argue that Australia must be prepared to mount and sustain high-level operations and not make the mistake of gambling that all future operations will be lower-level constabulary operations as in East Timor or the Solomon Islands. Would you like to elaborate on that point?

**Mr James**—The point I make here is a simple one. There was a bit of a belief, certainly in the civilian bureaucracy of the Department of Defence through the 1980s and 1990s, that the Army only needed to be a glorified field-gendarmerie capable of only low-intensity and reasonably low-level operations because the Air Force and the Navy would always look after Australia’s security in what you would loosely call the more high-end warfare. The position of the Australia Defence Association is that this was a wrong approach. The purported sea-air gap to our north is in fact a sea-land-air gap—full of 18,000 islands—and any operational maritime manoeuvre requires the ability to project land forces ashore temporarily or in some cases more permanently. In that case, you are starting to get into higher levels and higher intensities of warfare.

We believe it gets back to the concept of a balanced force. There is no point in having an ADF which has relatively modern and capable equipment in parts of the Air Force and parts of the Navy but hardly any in the Army—and, where it does have it in the Army, it is not really in sufficient numbers to provide us with a deployable capability. So the argument in this paper is really quite a simple one. When we are talking about interoperability with the Americans, we are not just talking about lower-level interoperability; we are talking about those higher-end aspects of interoperability too. We might not have to do this on a large-scale but we certainly need to maintain the capability to do it.

**CHAIR**—You say that we need to be able to mount high-level operations and not make the mistake of gambling that all future operations will be lower-level. Would you like to elaborate a bit further on how far we would have to be prepared to operate in our interests beyond the air-sea-land gap in our region?

**Mr James**—The experiences of the last five to eight years have taught us once again an old lesson—they have not taught us a new lesson; we have just re-learned an old one—and that is that you cannot accurately foresee the future. For instance, if someone had said in 2000 that we would have troops deployed in Afghanistan fighting the Taliban and the terrorists in 2001, most people would have laughed at them. Similarly, if someone had said in 1997 that we would be assisting with the liberation of East Timor in 1999, most people would not have seen that as a foreseeable consequence.

We honestly do not know what is going to happen, and the world is increasingly becoming more strategically uncertain. Whilst the prospect of us being involved on a large scale in high-intensity warfare appears remote at this stage, who is to know what will happen in five or 10 years time? Unfortunately, the way the defence procurement cycle works—and it is pretty much the ‘come as you are’ war these days—if we do not continue some rolling capability development, we will crucify ourselves in the long run.

The other point that I would make is that this country still has certain security guarantees to South Korea under the Korean Armistice. Should something go wrong on the Korean peninsula, this country does not have a choice; we are involved straightaway. So the ADF must retain some capability to assist in that regard. I am not suggesting that this would involve large-scale land forces or, indeed, land forces at all, but it does mean that we must maintain at least some capability to involve ourselves in high-intensity warfare with our allies.

Similarly, it is a bit of a cliché, but the Taiwan Strait remains a carryover from the Cold War. Hopefully, the problem will eventually solve itself, as China democratises. A China that is willing to let Taiwan go, ironically, would be the type of China most liable to attract Taiwan back, but China does not seem to see it that way. Should China attack Taiwan, particularly over the next five, 10 or even 20 years, we may have to be involved. Once again, that is likely to be at a higher intensity degree of warfare than at a lower intensity. We all hope that it will not happen, but it could happen.

Closer to home, the prospect of high-intensity warfare in South-East Asia, I agree, appears remote at this stage, but who is to say what can happen in 10 or 15 years time. We simply do not know, and history is replete with examples where major wars have not been predicted long before they broke out. A major academic study in the 1990s showed that the average warning time for all major conflicts in the 20th century was 4½ months. That is the reason we believe that some degree of interoperability with the United States must involve the higher end, higher intensity levels of warfare, but it will probably not be on a large scale and probably not involve large-scale land forces.

**Senator SANDY MACDONALD**—Mr James, I think you treat interoperability as a sort of motherhood statement—and I agree with you. You also said that the purchase of a better product—and you used the example of the armed attack helicopter—did not impact on interoperability. How much better would a product have to be for it not to impact on

interoperability? Clearly, the armed attack helicopter that is of European origin is substantially different to the product that is of United States origin. If we are going to be interoperable with them in a conflict which might involve an armed attack helicopter, surely the weight would have to be heavily on having an armed attack helicopter that was of US origin.

**Mr James**—Thank you for that question, Senator. A number of issues come out of it. Firstly, it depends pretty much on how you intend using the armed reconnaissance helicopters and why we are purchasing them. It also touches on the aspect that, simply, it is the systems that must be interoperable, not necessarily individual platforms. We can configure the European origin armed reconnaissance helicopters with the communications and identification friend and foe suites and electronic warfare suites that will make us interoperable with the Americans. That is increasingly the case with most modern platforms, because you can slot the black boxes in and out a lot more easily than you could perhaps in the old days. This gets back to why we are buying these armed reconnaissance helicopters. Our purpose in buying them is to use them more in our region, directly for our defence, rather than perhaps in contingencies further afield.

In that case, the logistics problem of having a different helicopter to the Americans probably is not as acute, for the simple reason that they would be coming here to assist us, and we would be operating closer to our logistics and maintenance chains. The third answer of the question is that the Tiger was definitely a better helicopter. It was not just a little bit better; it was a lot better than the alternatives, particularly at the price that we were prepared to pay.

**Mr PRICE**—You seem to be indicating that interoperability is a force determinant when we are operating well away from the archipelago and our region, but not so when we are operating in the region.

**Mr James**—I suppose the simple point I am trying to make is that the logistic aspects of interoperability become harder the further away you go and the longer you operate away from our base areas in Australia. As a matter of principle, that would certainly be true.

**Mr PRICE**—You seem to be making a very important point that we should not just be structuring the Australian defence forces for the defence of Australia and our region but should also contemplate more Iraqs—if I could put it that way—into the future, which is something we have tended to avoid. Those operations are not a force structure determinant.

**Mr James**—I suppose that, like you, I wait for Mr Latham's address to the Lowy Institute for International Policy on 7 April with bated breath.

**Mr PRICE**—I have not seen the address. I am not sure if my colleague has.

**Mr James**—Professor David Horner, the professor of ADF history at the ANU, gives a wonderful lecture on the schools of Australian strategic thought going back to pre-Federation. There are essentially two loose schools. There is the school that says that you only ever worry about defending mainland Australian territory and let the rest of the world go hang, and there is the school of thought that says that we cannot actually cut ourselves off from the rest of the world and that occasionally we have to join in somewhere else. The lesson of history is that the ADF has been deployed eight times in substantial force outside mainland Australia since 1899,

and only once, for a six-month period in late 1942 and early 1943, have we had to directly defend our own territory.

The position of the Australia Defence Association on this is quite simple: we believe the ADF needs to be configured to defend both this country's territory and its interests, and that both our territory and our interests are our sovereignty. You cannot actually defend your sovereignty without being prepared to defend your interests to some extent. The example I cite—and I did this frequently when I was on exchange with the New Zealanders—is that we are a country that depends on seaborne trade for our affluence. That seaborne trade is secured by a wider web of alliances and a wider strategic architecture that we must contribute to—often at thousands of kilometres from the nearest Australian territory. There are numerous other examples we could give.

**Mr PRICE**—I accept that, but you are exploring a new area. Previously, we have pursued a policy of defence of Australia and our region, and then we said that, to be good world citizens, the Defence Force can be adapted to serve elsewhere. But you are implying that world citizenship should now be a force determinant, which is something new.

**Mr James**—I am not convinced that it is new. We are saying that the ADF should be configured to defend Australia and its interests, not just Australia. The historical record shows that, in most cases where we have had to use the Defence Force, it has been more to defend our wider interests than it has been to directly defend our territory. We do not believe that will change in the foreseeable future. The other aspect of it is that an ADF that is reasonably well equipped, is technologically capable and is strategically mobile can do everything. But an ADF that is configured, as we saw in the late eighties and early nineties, just to defend mainland Australia produces some problems, because it inevitably has to operate elsewhere.

If you remember the briefing the Defence Subcommittee received after the Timor operation, the Defence Force hauled in the three environmental contingent commanders and the logistics contingent commander to point out what a damn close run thing East Timor was and that we only pulled it off because it was 300 nautical miles from Darwin. Similarly, we only pulled off the Solomons operation because it was so close to a major ADF mounting base in Townsville, and the elements we used in the Solomons were not required to be used elsewhere at the time.

If you equip the ADF for flexibility and versatility, it can do all the things that we require it to do. It is easier to work down than to work up. We do not need large armed forces so long as we structure them the right way to defend both our territory and our interests. There is a school of thought that says that if you configure the ADF so it cannot operate outside Australia then it will not be dragged into what could be described by some people as 'foreign entanglements'. The Australia Defence Association does not believe that this is a valid argument, for the simple reason that the ADF eventually ends up getting sent anyway, woefully unprepared, as we did in 1914, 1939 and, to an extent, 1950.

**Mr PRICE**—I have some questions, but I interrupted my colleagues.

**CHAIR**—Senator Macdonald was on a line of questioning.

**Senator SANDY MACDONALD**—What do you consider are the best types of exercises with the United States to pursue interoperability?

**Mr James**—Given that the United States is our major ally and that we operate with them quite closely within Australia, the region and even further afield, we have to exercise at every level. The current suite of exercises between the two countries is extensive and time-tested. In a previous life I had a fair bit to do with organising some of these exercises when I was on the joint exercise planning staff. The command post exercises and the strategic level map exercises are important because they set the broad criteria of what each country can and cannot bring to the table. The operational level exercises, particularly those involving deployment, are important because you basically need to test what you promised to bring to the table. The lower level tactical level exercises at unit and subunit level are important because people need to get to know each other and the operational culture.

I will cite one quick example: when I was an infantry platoon commander, we had an American company attached to our battalion. This was a period just after the Vietnam War when they were going from the draft to a volunteer army and encountering numerous teething problems. This company did not hang together very well. It was not until the end of a three-month attachment that they admitted that, to send a company to Australia that was relatively free of the numerous discipline problems they had at the time, they had stripped an entire brigade of its best soldiers and put a scratch company together. Yet my understanding of working with the Americans as a very young officer was considerably aided by that exercise. Some of the Americans I worked with who later went on to reasonably high ranks in the American army were considerably aided because they knew what Australia was like and how we operated at unit level. The big gap in the interoperability exercises—and this is largely finance driven—is that too often these exercises do not adequately test our logistics.

**Senator SANDY MACDONALD**—Does the ADA support a permanent joint training facility within Australia?

**Mr James**—The ADA, in principle, believes that it would probably be a good idea. This is a not new idea. Once again, in a previous life I was a senior staff officer at Headquarters Northern Command in Darwin. When the American fighter squadrons in Kadena air force base in Japan exercise in Northern Australia on quite a large scale and for long periods, there are generally more US and Singaporean fighters in Northern Australia than there are Australian ones. This is precisely because they can exercise here in ways that they cannot do in the confined airspace localities of their base locations. The American marines have always been interested in the Yampi Sound training area until you take them there and show them the access difficulties.

As we have noted in this submission and in previous articles in *Defender* and other papers, there is a bit of a problem here because some people would have the perception that this would be a United States base, and that would have to be managed quite well. Certainly the Territory government would look forward to hosting such a facility and there would be quite considerable advantages, but we cannot look at this in isolation. The one thing driving this is that the Americans are slowly pulling back forces from all over the world into the continental United States. They are having increasing problems with their base areas in places like Okinawa. It may be that we will have to take up some of the international burden. Simple geography of course dictates that these are unlikely to become large facilities or indeed ‘bases’ because they are too

far away from the areas where forward deployed American forces might have to be used—that is, the Middle East and the Korean peninsula.

**Senator SANDY MACDONALD**—What are the most important US bases not on mainland United States? There is Diego Garcia, South Korea, Okinawa—what other ones are there?

**Mr James**—The most important American bases outside the continental United States—well, it depends on what you mean by important.

**Senator SANDY MACDONALD**—Well, the largest.

**Mr James**—The largest would still be the bases in the southern part of Germany, but only just, then Okinawa and some small bases elsewhere in Japan.

**Senator SANDY MACDONALD**—Hawaii?

**Mr James**—Hawaii has a very large naval base and a reasonably large air base but very small land forces.

**Mr PRICE**—It is still part of America, though, unless there is some change I am unaware of.

**Mr James**—I think the point is that it is not part of the continental United States.

**Mr PRICE**—I beg your pardon.

**Mr James**—Diego Garcia is an important base, not so much for the forces based there, which are actually quite small, but because of the logistics springboard it provides with maritime repositioning ships and things like that. For many years during the Cold War, the single most important American base as such, or joint facility, outside the continental United States was Pine Gap. That no longer applies. Pine Gap is a relatively small base but it was still important. So the importance changes as circumstances change, and it changes due to the nature of the operation. I understand the Americans still have about 80,000 forward deployed in Europe and about 100,000 forward deployed in North Asia.

**Senator SANDY MACDONALD**—I have one final question on interoperability and I was after your opinion, not necessarily the ADA's opinion. My question relates to the deployment of the F18s to Iraq. Clearly, the fact that the United States no longer operate to a substantial degree F111s meant that our F111s were not sent to Iraq. But, just from an amateur's viewpoint, the F111 would have been a much better aircraft to deploy for the job that was expected to be done in Iraq than the F18s. I am not saying that the F18s did not do a fantastic job—they did—but if the F111s had been completely interoperable with the United States, do you think they would have been sent?

**Mr James**—In the latest edition of *Defender*, we have an article which discusses this very point. I believe that the F111s probably would have done as good a job as the F18s. It is my professional opinion that they could have been sent in this instance. In the 1991 Gulf War, I was then a senior contingency planner at Headquarters Australian Defence Force and I actually helped write the cabinet submission on this. The F111s were not sent at that time because they

were then not capable of operating with the Americans, for a range of electronic reasons, but essentially because we had not trained the aircrew in conduct after capture. It was the reconnaissance versions that the Americans needed at that time for bomb damage assessment. We were unable to send them because, for our own political and doctrinal reasons stretching back over the previous 20 years under governments of both persuasions, we had not trained our aircrew. The risk of capture in that type of mission was high, and one of the reasons the then cabinet balked—and there were several—was precisely that.

In this Gulf War, given that we are now the only country that operates the F111, there would have been some problems but they could have been surmounted because we could have actually procured from the Americans several of the electronic warfare pods that they would have needed. In some cases, we did not actually own that equipment ourselves, but they would have probably lent them to us. The F111s in fact would have fitted a nice niche in the American strike capability in Iraq.

It also operationally and politically would have fitted in to an extent too because, just as with the F18s, we would have retained national control over what we actually struck and been able to exercise our own rules of engagement, and had control over matters that are as much moral and political as indeed they are military. It is my understanding that we could have sent the F111s but, for a range of reasons that I think only the government can answer, they chose not to do so.

**Senator SANDY MACDONALD**—Did the crews of the F18 all have post-capture training?

**Mr James**—Again, I think you would have to ask that of someone from the Department of Defence. As the person who wrote the ADF's training manual on this matter and one of the more qualified interrogators the ADF has produced over the last generation, my personal opinion would be that the training is still inadequate.

**CHAIR**—It is inadequate?

**Mr James**—Inadequate.

**Mr PRICE**—I do not think we have time to explore your comments about Taiwan and the Korean Peninsula, but I need to flag with you that they are of sufficient interest that I probably would like to follow them up at a later date. In your submission, you talk about the alliance being robust. Do you consider that the alliance is such that everywhere the United States goes in terms of its superpower status Australia must follow?

**Mr James**—No, that would not be the position of the Australia Defence Association because formally the alliance only binds us for collective defence within the Pacific area. The Pacific area has a bit of a hazy definition. In fact, the definition of the Pacific area has changed over time. Again, in the most recent issue of *Defender*, which came out only a week ago, we have an article which explores this actual point. It points out that the alliance is not a blank cheque from the Americans to us, and it is not a blank cheque from us to the Americans. That is as it should be, because we have had substantial differences with them over issues.

**Mr PRICE**—In practice, we have actually been everywhere they have been. I think we are the only country that has actually done that.

**Mr James**—The Americans did not go into confrontation with us, and let it be known that they would not join in confrontation with Indonesia when Indonesia attacked Malaysia unless China became involved. Similarly, when the Indonesians invaded—there is no better word for it—West Papua in 1963, once again, the Americans chose to duck out of that one on the grounds that it really was not a major threat to Australia. They applied a simple logic to the British and French intervention in Suez in 1956. Another example, I suppose, would be East Timor under the Clinton administration, which was very reticent about peacekeeping at the time, only a few years after losing all the people in Somalia. They placed severe restrictions on what the Americans could provide to us in terms of on-the-ground support in East Timor, although the logistic support they provided offshore and the fact that there was an LPD with a brigade of marines just over the horizon, once again, was one of the things that contributed to operations in Indonesia.

**Mr PRICE**—There was a lot of diplomatic effort too.

**Mr James**—And a lot of diplomatic effort and World Bank pressure on the Indonesians—these types of thing. It would be an unhealthy alliance if we did not have differences from time to time, and I would think there is quite a mature appreciation on both sides that it is not a blank cheque. The Americans are not going to give a blank cheque to anyone, no matter how much they love us.

**Mr PRICE**—I did not say that the Americans were with us in everything we have been interested in but, in terms of America, we certainly have. In fact, it is a point little understood, I think, by the American public.

**Mr James**—That would certainly be true and I personally find it exasperating that there are so few Americans who understand what Australia has done for them over the years. The Australia Defence Association has always taken great pride in being reasonably apolitical. A lot of the operations that we have undertaken with the Americans over the years have attracted party political controversy from time to time—some of them more than others. The Vietnam war, for instance, in the latter stages produced a significant degree of political polarisation. The position of the Australia Defence Association has been that, on balance and taking the long view, we have probably done the right thing in joining with the Americans and with other countries in collective operations over the years. Some of them have probably been a bit more problematic than others, but we do not believe that the Americans have sucked us in—to use terminology that is used sometimes—to somewhere where we should not have been.

**Mr PRICE**—I was interested in your comments in your opening statement, where I think you said something like ‘the Americans should not be left alone with their international burdens’. That seems to me as though you anticipate Australian participation in whatever crops up in the future.

**Mr James**—The world is still not a perfect place.

**Mr PRICE**—I understand that.

**Mr James**—America is the dominant superpower. Somalia, back in 1993-94, is probably a good example. Neither country wanted to go to Somalia but, through the CNN factor and various other things, we both went in there to stop them from killing each other and to feed the hungry.



Probably the only mistake we made was in withdrawing a bit early, from Bidoa in particular. We did wonders in Bidoa but, in the longer term, Bidoa went back to where it had been.

**Mr PRICE**—Wait a minute. Let us correct the record. I think the French took over from us in Bidoa. I think we did do a great job there.

**Mr James**—They took over because we limited the time of our deployment to three months. The French had to take over because we were going.

**Mr PRICE**—But it slipped under French control, I might say—not after the French left.

**Mr James**—Perhaps. I suppose the wider problem I am addressing is that, for better or worse, we have an alliance with the Americans and, for better or worse, the Americans still take an interest in most places in the world and, given the reaction they get, you sometimes wonder why. The chances of us being involved with them overseas are not likely to diminish in the short term. It is the degree of that involvement that is the key issue.

**Mr PRICE**—Would it be fair to say that the two high-priority concerns in our region that are going to be issues for some years are obviously terrorism and the operation of terrorist organisations and, in particular, failing states? It appears that, in the Pacific, Australia has a special responsibility in relation to that. As I understand it, the PNG parliament has yet to authorise assistance in the way that the Solomon Islands has. The Philippines has now been put into the basket of ‘failing states’. To what extent do you think our alliance relationship will help us in dealing with issues of failing states, and will we be able to have American involvement in that as a result of our alliance relationship?

**Mr James**—Our position on this is that the security of Australia depends to a large extent on the security of our near region. Failing states within the region are a problem. Once again, in the latest issue of *Defender*, we have an article on that.

**Mr PRICE**—By the way, I must congratulate you on your shameless promotion of *Defender*! It is very good.

**Mr James**—It is actually quite a good article which points out that Australia has to change its attitudes in this regard. I might add that the Australia Defence Association was calling for assistance to the Solomon Islands two years before virtually anyone else in the country, and we are quite proud of that. Assistance for these failing states is not always a military solution. The Solomons is a good example. The problem in the Solomons mainly needs police and administrative support, particularly financial management support for the Solomons government. They only needed a bit of armed military support there in the initial stages, when things were still a bit iffy. Indeed, most of the military support there now is in logistics.

In terms of the American alliance, quite rightly the Americans think that, as part of international burden sharing, we should look after our own backyard. If the southern Philippines should degenerate, I do not think anyone would assume this would be a problem that we would have to tackle. There are a number of other countries, in ASEAN, who should dip in and help; in fact, the Americans would probably help substantially. But in that situation, if the southern Philippines degenerated even more, it is in our interests to intervene, because at least some of the

Bali bombers were trained at terrorist training camps in that area. So it is in our interests to make sure that it does not become a terrorist-infested swamp, so to speak.

**Mr EDWARDS**—I do not want to be accused of being a promoter of your magazine, *Defender*. I do, however, want to refer to the editorial in your most recent edition, where you say:

Furthermore, the Department of Defence's fetish with constantly meddling in military professional matters, while remaining incapable of providing appropriate or adequate numbers of weapons and equipment in a timely fashion to our forces is a national disgrace and one not solvable by additional funding alone.

One of our terms of reference relates to the adequacy of research and development arrangements between the US and Australia. Does that interference impact on the adequacy of research and development within Australia? Is the Australian defence industry suffering as a result of that sort of interference and does this interference relate to, for instance, procurement in a way which would impact on those things?

**Mr James**—Our view is that in terms of the research and development the structure of the Department of Defence does not interfere too much with the effectiveness of reciprocal arrangements with the Americans. There are a number of other factors that are a greater problem, including the simple American security problem about working with foreigners and the reluctance of American commercial interests to share technology.

**Mr EDWARDS**—To focus in on this, we had Mike Lawson, the general manager of the Aerospace and Defence Industries Branch from the Department of Industry, Tourism and Resources, with us today and we were talking about the fact that Australia is currently seeking a treaty level international trade in arms regulation exemption from the United States but neither he nor anyone else in his particular department is involved in that process of trying to win that exemption and to finesse, push or lobby it through the US congress. I wonder whether we might not be better served to have some sort of joint task force involving all of the interest groups who would be involved in trying to deal with that impasse in the United States.

**Mr James**—The Australia Defence Association position on this has been clear for years. Australia needs a national security council for precisely this reason, so that you integrate the work of all departments. The current interdepartmental coordination arrangements work in some ways and are disastrous in others. Often it is a cultural problem, because people do not look at it from a holistic viewpoint. That is one of the reasons that we think there should be a small statutory national security council to drag the various departments and agencies together in this regard. The example you have cited is a very good one of the problems that are caused.

In terms of what the editorial said about the meddling in military professional matters, this is not so much an R&D problem and it is not so much in many ways a procurement problem as such; it is more a capability development problem. Capability development in the department before it gets to the stage of procurement takes far too long because there is too much amateurish interference by bureaucrats who should concentrate on which they do well, which is managing the money and buying the stuff and not actually telling the armed forces what they should have. I note with some irony that the latest policy paper put out by the Australian Strategic Policy Institute now agrees that we must empower the end-user of weapons. If you empower the end-

user, we are likely to save money and have more efficient weapons systems than the reasonably bureaucratic capability development and procurement processes we have developed over the last 20 or 30 years. That is why we say in the editorial and we have said in public in other cases that throwing more money at the Department of Defence will not solve its problems. It will help, but we actually need root and branch reform of the structure of the department, including the diarchy.

**CHAIR**—Thank you, Mr James. We are well over time, and I know that the interrogation from the committee could perhaps go on. I will be in the hands of the committee, but, if you are available at some other time, we may have other questions.

**Mr James**—I would be happy to come back, Mr Chair.

**CHAIR**—Thank you for your attendance here today. If you have been asked to provide any additional material, would you please forward that to the secretary. Once again, we thank you very much for your submission and your time here this morning. As I said a moment ago, obviously today was very intensive, and I am sure that there are still more questions that the committee—including me—would like to ask. If the committee wishes to seek some further questioning, we will leave that to a later day. I will be in the hands of the committee on that.

**Mr James**—Thank you, Mr Chair. Thank you, gentlemen.

[11.41 a.m.]

**CORDNER, Mr Lee George, Managing Director, Future Directions International Pty Ltd**

**CHAIR**—Welcome. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. Would you like to make an opening statement to the committee?

**Mr Cordner**—Yes, please.

**CHAIR**—Please proceed.

**Mr Cordner**—For the benefit of the committee, FDI is an independent, apolitical, approved research institute whose charter is to provide integrated knowledge services. Our aim is to enhance the quality of decision making in both the public and private sectors in Australia by providing high-level research into and analysis of issues of national and international significance to Australia's future. Our headquarters are in Fremantle, Western Australia, and we have established a national and international network of over 130 subject matter experts who contribute to our intellectual capability. Our funding comes from a combination of philanthropic, corporate and WA university support, plus fee-for-service advice to government and corporate clients. FDI has recently established a US company, FDI US-Australia Foundation Inc., primarily to support our philanthropic endeavours and our engagement with the vastly capable and influential US strategic think tank community.

On this occasion, we have engaged FDI's Washington based non-executive director, Mr Gregory Copley, who is also President of the International Strategic Studies Association in Washington. We felt that perspectives from someone who is very experienced at working with the US administration and in the Washington environment might assist the committee's deliberations. I am happy to speak—or attempt to speak—to both the FDI and the FDI US-Australia Foundation submissions, which are under the same cover, although I understand that there may be an opportunity for the committee to speak directly to Mr Copley in Washington. I would strongly encourage that to occur.

Australia's defence relationship with the United States continues to be one of fundamental importance to our national security. The relationship is very positive and is appropriately recognised by both parties for its considerable mutual benefits. However, the relationship is a very uneven one, in that the US is by far the world's leading military, economic and intellectual power and Australia is a medium power. The US usually acts very pragmatically, in accordance with what it perceives as US national interests. Where our interests coincide, this works well. However, Australia has to be careful to maintain a capacity for independent thought and action, without potentially compromising US expectations.

We must be careful not to delude ourselves about Australia's importance to the US, and we must avoid having the US take our support for granted. Our Washington based contributor emphasises the perspective that Australia has so far underachieved in eliciting the full strategic

advantage offered by our commitment to the alliance because we overly rely on official-to-official interaction rather than engaging the US congress and its committees and the very influential non-government US strategic policy community. The committee may wish to carefully deliberate on that point of appropriate political interaction and the role that organisations like FDI can play in the latter interaction.

US strategic culture is demonstrably direct, power based and based on its own values-driven perceptions of the world. This has repeatedly put the US in difficult positions in the post-World War II history and has required commitment of massive US resources. Given Australia's much more modest capabilities and resources, we must be very careful not to be drawn into situations that could prove strategically and economically disadvantageous. Similarly, the US-Australia relationship enables Australia to exert strategic influence in our region beyond that which our independent capabilities would naturally support. While many smaller Asian countries at least privately welcome ongoing US regional engagement, we need to carefully balance our relationship with the US with our relationships with regional powers, particularly China, India and Japan. Australia's location astride the Pacific and Indian oceans, as emerging areas of increasing major global power confluence, will become strategically more significant to the US and Australia into the future.

At the military level, the defence relationship underpins Australian access to US intelligence, technology and hardware, research and development, military doctrine and training that is fundamental to the maintenance of a world class, highly professional operational performance by the relatively small ADF. The qualitatively impressive nature of ADF contributions to recent US-led operations has not gone unnoticed by them. In many respects, the ADF represents the global benchmark in terms of interoperability and flexibility with US forces. Access to US worldwide intelligence collection and analytical capability is extremely valuable to us. However, our lack of an independent capability for much of the world can make us overly reliant upon US-sourced intelligence product without an independent capacity for review. We must be careful that this does not distort our policy-making and we must develop our capabilities in this area. Further, Australia is now committed to dependence upon US technology support in areas like the Collins submarine, the Joint Strike Fighter potentially, and the Abrams tanks. That will continue well into the future and will transcend variations in the political relationships between the two countries. That is my opening statement, and I welcome questions and comments.

**CHAIR**—Thank you, Mr Cordner. On page 2, you commented that, while the importance of Australia's defence relationship with the US is clear, 'there are critical and dynamic judgments to be made as to how closely aligned we should be'. Would you like to elaborate a bit more on that? There are dynamic judgments that we have to make, but you are questioning the judgments in relation to how closely we should be aligned.

**Mr Cordner**—What I am saying is that over a period of time and over the period of strategic issues that may arise, we need to preserve our capacity to think, act and decide independently in accordance with our own interests, always bearing in mind how those decisions will impact on the alliance. We should never put ourselves in a position where it is assumed that Australia will decide and act in accordance with the US position, for example. In our own region—and I mentioned this in my opening remarks—our relationships with our regional neighbours, with China, increasingly with India and with Japan may often put us in a position where our interests may not exactly coincide with those of the US. Therefore, in a mature relationship we need to be

able to preserve our position of independence whilst still being able to do that within the construct of the alliance. I think that over time, as Australia develops and as the strategic significance of our region evolves, there may be increasing occasions where there are points of departure between the US and Australia on specific issues.

**CHAIR**—You have obviously raised this as a fairly critical element of your presentation. Do you see that we have maintained our independence? Are there examples that you feel show that we have not, notwithstanding the ANZUS alliance?

**Mr Cordner**—I think that we have to very carefully manage expectations. I will allude specifically to the US reaction to Canada and France—Canada in particular is a good peer comparison—when they chose not to go all the way with the USA into Iraq. The Canadians were strategically very much out in the cold and probably still are to an extent. The US-France relationship plummeted to a very low level, probably the lowest in recent history. I think there is a tendency in the United States to have an expectation that, because we have been very forthcoming in supporting their position in Iraq, Afghanistan, the first Gulf War and so on, we will almost always come to the party and support their position. I really think we have to be very careful, because that expectation, if it exists, can work against us on the occasion where we say, ‘We don’t really agree with you,’ or we choose to abstain or whatever rather than necessarily support a US position. It is a matter of, from time to time, ensuring that our major alliance partner understands that we are independent and demonstrating that independence when we need to.

**CHAIR**—You also comment on page 5 of your submission:

Logic suggests that an updated Treaty—

in relation to ANZUS—

would be desirable. However, the practical difficulties of doing so mean that the effort would probably not be worthwhile.

You say on the one hand that logic would suggest that it should be updated but on the other hand practical difficulties may mean it is not worth pursuing.

**Mr Cordner**—I am suggesting that the ANZUS treaty was framed in a very different strategic context from today—in the immediate postwar period. You could argue that it has stood the test of time in that it has provided the keystone for a relationship that has flourished in the intervening years. However, that treaty was framed at a time when there were real fears of Soviet confrontation, of world war III and Soviet dominance, so there would have been a great impetus for the leaders of the United States, Australia and New Zealand of that day to get this sort of treaty together and get agreement on it. I am saying that I do not see right now a similar strategic imperative to warrant trying to get leaders and others to invest the time and energy in rewriting the treaty or updating it significantly for current circumstances. I think there has to be that sort of imperative for that to occur. Whilst the alliance has been in some ways overtaken by the evolving global and regional strategic situation, there is probably not a real urgency to actually review it and change it. I do not think there would be a real imperative to do that. We would not achieve an awful lot by doing that.

**Senator SANDY MACDONALD**—I acknowledge what you say about the times—about 1952, when ANZUS was drawn up. I admit also that the language is a little arcane. But it certainly has stood the test of time. I agree with you: I do not know whether there would be very many advantages in trying to draw up a more comprehensive agreement. But I do not know. You clearly think that too.

**Mr Cordner**—The reason why I mentioned it in the submission is that there are those who argue that it is moribund and we need to do things with it. But the reality is that, as you say, it has stood the test of time, and I do not see the great imperative. The New Zealand factor is the difficulty, but we can hope that one day the circumstances change and New Zealand come back in, rather than rewrite a bilateral agreement where they would be clearly shut out. I think that is another issue.

**Senator SANDY MACDONALD**—You are quite generous to New Zealand, because page 9 of the US FDI submission stated:

... the re-inclusion of New Zealand as an effective partner in ANZUS would provide substantial relief to the Australian and US defence burdens ...

What substantial relief could be achieved by our New Zealand colleagues?

**Mr Cordner**—I do not fully support Mr Copley's statement there. Increasingly, because New Zealand has chosen to spend around 1.1 per cent of its GDP on defence and recently removed some of its capabilities, such as its air force strike fighter capability, and its decision not to buy additional frigates, I do not think that there is an enormous contribution in a practical military sense in that regard—it is a little overstated. However, in strategic terms, it remains desirable that New Zealand come back into the fold. In practical terms, the New Zealand-US problems have placed an additional burden on Australia to work with New Zealand to keep reasonable levels of interoperability and to keep them operationally in the fold, as it were. So it is desirable, but I do not think it is quite as great an imperative as that submission suggests.

**Senator SANDY MACDONALD**—In practical terms, the relationship between the US and New Zealand is probably quite strong because the most important thing that New Zealand provides is the link in intelligence gathering, which has continued apace. So, from the US perspective, what prospects are there for the reinclusion of New Zealand as an active member of ANZUS in a more interoperable sense on a military training level? Do you think that is likely to occur?

**Mr Cordner**—The stumbling block remains the New Zealand stated and restated position on nuclear weapons and the US stated and restated position of neither confirming nor denying.

**Senator SANDY MACDONALD**—They said that they did not confirm or deny it, but they have also said that not since 1993 or 1994 have their naval vessels carried them.

**Mr Cordner**—But it is a philosophical impasse where neither side, from what I can see, has shown any indication of wanting to acquiesce. That really is a stumbling block. But, in practical terms, New Zealand has been quite forthcoming in contributing forces to Afghanistan and other places where the US has been providing leadership and looking for support and allies. Although

New Zealand chose not to commit in Iraq—along with France, Canada and the rest—the relationship is reasonably positive, but it sits outside the alliance as it is written.

**Senator SANDY MACDONALD**—On page 1 of your submission you comment that Australia's relationship with the US 'may be too close ... which can limit our ability to manoeuvre in accordance with our own national interests'. Do you think that the development of an Australian national security strategy highlighting Australia's national interests and international obligations could help manage this issue?

**Mr Cordner**—I certainly think it is important that Australia publicly—and probably, to some extent, privately—is very clear-eyed about what its national interests are and is prepared to state them to our major ally. There is the issue of expectations that I mentioned earlier but also there is the issue of perceptions of other significant regional players about Australia's position and how Australia will act in certain circumstances.

**Senator SANDY MACDONALD**—Do you think we do not do that?

**Mr Cordner**—I think generally we do, and of course it is in our national interest to foster, encourage and maintain the alliance with the United States. That is clearly one of the factors that have to be taken into account in any national interest type decision. However, I do not think that statements, whether they come from the media or somewhere else, calling us the deputy sheriff in the region and so on—the inference being that we are some kind of acolyte or lap-dog of the United States—are particularly helpful to us in the regional sense. On the other hand, I think we again need to be very careful to manage our relationship with the US so that their expectations are realistic in any given circumstance. In other words, we are an independent sovereign state, we are a medium power, and we have to clearly understand and act in accordance with our own national interests, while at the same time balancing our regional and alliance relationships in that decision making.

**Senator SANDY MACDONALD**—You are stating the obvious. Do you think we do that well?

**Mr Cordner**—I think on particular issues you could argue that we do it well and on others perhaps not so well. It really comes down to the balance of judgment as to whether—

**Senator SANDY MACDONALD**—Where do you think we have not done it well?

**Mr Cordner**—In the case of our commitment to the Iraq conflict, I think we were very quick and very strong in siding with the United States when there could have been a case for more strongly supporting and requiring multilateral UN-authorized action.

**Senator SANDY MACDONALD**—That is purely a political judgment.

**Mr Cordner**—Correct. That is what I am saying. I am talking about strategic-level political judgments. Clearly what occurs in the Middle East directly impacts on Australia's national interest because of the economic linkages, the oil issues and the issues of how important they are to our major regional trading partners, like Japan, for example. So you can very readily draw a connection between our national interest and our need to make decisions about operating in the



Middle East under certain circumstances. There is also the issue of our being a good ally and supporting the US, which is also in our national interest. But, in the wider sense, maybe that was a time when the wider interests may not have been served.

**Senator SANDY MACDONALD**—The wider interests—and you have mentioned them—surely are far beyond the Middle East. They are North Asia, the Taiwan Strait, the flashpoint in Kashmir between India and Pakistan, and the Indonesian archipelago. That is the broad strategic scenario on which the American alliance is nourished.

**Mr Cordner**—I agree with that. Also, in the wider interest, it is how the international system operates and the ongoing efficacy or otherwise of the United Nations and other multilateral bodies—but principally the United Nations and the United Nations Security Council and so on—that are also important. In other words, the bilateral relationship between Australia and the US is very important, but so are these other things. It is a matter of, on a given occasion, making that balanced judgment but being prepared to decide independently and act independently from the US if we need to. Perceptions are important in international affairs, as they are in anything else, and there is a perception that we may tend to follow the US line more readily than we need to at times.

**Mr EDWARDS**—Thank you very much for your excellent submission. It made very interesting reading. You say in your summary of key points:

Australia's defence relationship with the US is generally seen as strategically positive in Asia. It helps ensure a balance is maintained with Asian powers and it keeps the US engaged. The prospect of "strategic competitor" tensions between the US and China, and possibly others over time along with Australia's economic involvement with Asia will make maintaining a balanced approach to supporting our wider national interests increasingly challenging.

You touched on that a bit in your opening statement. I wonder if you could suggest to the committee what you think might be the future strategic imperatives of the US in the Asia-Pacific. What do you see as being the main obstacles the US faces in its security engagement with the Asia-Pacific? What role do you see Australia playing in facilitating Australian-US interests in the Asia-Pacific? Just how challenging do you think it is going to be?

**Mr Cordner**—How long have we got? Those are very important questions which are fundamental to Australia's future over the next 30 years and beyond. Clearly China continues to emerge economically and also militarily. It would be fair to say that China's influence in the region and globally is growing commensurately. However, China has also, historically and today, not really demonstrated any hegemonic tendencies in the way some others have. China has been very clear about what it sees as its own territorial sovereignty, which of course includes the South China Sea, Taiwan and other places like that, but it has never seriously indicated any strategic hegemonic aspirations beyond that.

China will continue to become stronger. Its current incredible economic growth may well plateau for all sorts of reasons. It is really outstripping its capacity, and that will be a factor. This is in turn putting increasing strategic pressure on India and of course on Japan. Japan in itself is very far from a spent force economically and strategically as it starts to get its economic house in order.

I see an ongoing desirability of United States engagement in the region, welcomed particularly by Japan, to act as a sort of balance to an emerging China. I see the economic agenda dominating. Whilst the economic agenda dominates I think that, in terms of security, stability and strategically, things will remain relatively positive. While China, Japan, the United States and others are developing economically in a positive way, there will be no real interest in serious strategic or military competition.

Clearly Japan remains our major trading partner. However, our level of economic engagement with China continues to grow quite rapidly and, on the other side, our engagement with the United States in that regard is also increasing and improving. It is important that we maintain very good relations with China. I note that we are prepared to overlook some of the human rights and other difficulties in order to do that, and I think that is very pragmatic on our part. The Chinese are also very pragmatic in the way they operate.

I think the idea of strategic competitorship between the US and China may become of increasing concern as China becomes, if you like, a more complete superpower—as its economic power increases and it is able to afford more modern and technologically advanced military capabilities and to exert more influence globally and regionally. I see potential for strategic competitor issues arising. Indeed, prior to 9-11 you could argue that the Bush administration was already talking up that sort of prospect. In fact, post 9-11 it has receded into the background somewhat, as collective energies have been focused on dealing with international terrorism. I guess the US has been hugely focused on or distracted by those other strategic issues.

Over time Australia, again as a medium power and as a regional player, will have to very carefully manage how it relates to China and other East-Asian states and, increasingly, to South Asia—and India in particular—and the US. There may come a time when we are faced with some pretty difficult choices on specific issues. I am sorry if I did not answer everything in your question, but there was a lot in it.

**Mr EDWARDS**—I appreciate that it is a very important issue and one that is not really capable of being dealt with in the time that we have—nor will my next question be capable of being dealt with. I wonder whether you could briefly comment on whether, in terms of our US alliance and our relationship with Japan, China and other nations in the South-East Asia region, we in Australia have tended not to involve ourselves in or pay as much attention as we should to India and the capacity that India may have to influence issues in this same region.

**Mr Cordner**—I think India would argue that no-one in the world has been paying enough attention to them.

**Mr EDWARDS**—Their military capacity is quite striking.

**Mr Cordner**—But it is very focused on the land border. They are improving their maritime and air capabilities but, of course, you could quickly understand that, with Pakistan on one side and China on the other, there are very clear strategic imperatives that drive their need to have significant land forces. I think the penny has dropped in India, as they sit there watching the Chinese economy go gangbusters, that they really have to get their house in order and make themselves much more global and much more attractive to foreign investment. Although it will

take time, there are significant moves under way in India to make legislative, administrative and infrastructure changes to help that.

My view is that the time is nigh for Australia to focus a lot more energy on a more complete relationship with India. We have to demonstrate and help India to understand how important we can be to each other. In many ways, India is potentially the next big thing. Clearly China is already there, and we are very effectively engaged with China in many ways, but I do not think we are anywhere near that with India. There is an opportunity for Australia, if we are proactive, to do that. Again, in that sort of engagement, balancing those other relationships will be critical.

**Mr EDWARDS**—I would like to pursue other issues of interoperability with the US, and I would like to explore the issue of whether or not we are limiting ourselves because of what seems to be the increasingly important aspect of procurement. But I understand that we do not have time to do that.

**CHAIR**—Thank you for appearing today. The committee may like to speak to you again some time in the future. You may have found that there is still a long way to go with some of our questions, but we are limited in time. We ran over time before and, unless we are a little more disciplined, we will run out of time.

**Mr EDWARDS**—Chair, instead of hanging around the lesser states, perhaps we should be spending some time in Perth!

**CHAIR**—Mr Cordner was actually over here, and that was very convenient from the committee's point of view, but perhaps there will be another opportunity to pursue other questions that are still in your mind and in others minds. Mr Cordner, if you have been asked to provide additional material, would you please forward it to the secretary. We thank you and your organisation very much for your presentation and for your attendance today. Perhaps we will be in touch with you again for what may be called 'further interrogation'.

**Proceedings suspended from 12.16 p.m. to 1.11 p.m.**

**KOPP, Dr Carlo (Private capacity)**

**CHAIR**—I now reconvene our public hearing into Australia's defence relationship with the United States of America. I welcome Dr Carlo Kopp to today's hearing via videoconference link. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. Dr Kopp, would you like to make an opening statement to the committee?

**Dr Kopp**—It would be my pleasure to do so.

**CHAIR**—Please proceed.

**Dr Kopp**—I am appearing as a defence analyst. We are dealing with a period of profound and fundamental change in the strategic make-up of the Asia-Pacific region. The industrialisation of the region and the large-scale influx of leading-edge Russian military aviation and missile technology are transforming the strategic environment on a scale which we have not seen since the early 1940s. Neither Australia nor the United States can afford to ignore the advent of China and India as regional superpowers. Long-term force-structuring priorities should not be driven by near-term needs in the war on terror. Both Australia and the United States must maintain and increase investment levels in top-tier military capabilities, especially long-range air power, in order to balance the long-term regional effect of growth in Chinese and Indian strategic military capabilities. Both Australia and the United States must have realistic expectations of what the alliance can provide in deliverable military capabilities.

Australia must also ensure that it maintains compatibility with the United States in the key areas of voice and digital communications, electronic warfare, guided munitions digital interfaces and embedded software. As compatibility in these areas is driven by platform-embedded systems, this does not implicitly dictate that Australia should always operate identical platforms and systems to the United States; they merely need to be suitably compatible. Australia should be aiming to provide domestic software development and integration capabilities in these key areas to ensure that, in a crisis, ADF platforms can be brought up to suitable compatibility levels quickly, despite whatever pressures overseas vendors might be subjected to—and there are a number of case studies to support that argument. Australian Defence Force force structure investment must prioritise air superiority aircraft, long-range strike aircraft, aerial refuelling tanker aircraft, airborne early warning and control aircraft and supporting capabilities over surface war fighting capabilities, otherwise Australia will lose the capacity to control the environment.

Another consideration is that Australia's relative strength against the region will continue its current decline if we do not make proper investments in these areas. This is a force structure burden that will, by default, be directly pushed onto the United States. There is, as a consequence of this, a genuine risk that the existing force structure and strategy—which is defined in the current defence capability plan—could lead to an eventual souring or damaging of the relationship with the United States as the United States strategy community and, longer term,

their leadership come to appreciate the extent to which Australia's underinvestment in such key capabilities impacts United States deployment patterns in the Pacific rim.

Conversely, if Australia makes robust, long-term investments in these key capabilities areas—examples would be retention of the F111 past 2020; acquisition of FA22 rather than Joint Strike Fighter aircraft as a replacement for the existing FA18; restructuring of the AIR 5402 tanker project to increase the number and the capability of the tanker aircraft acquired; acquisition of seven to eight Wedgetail airborne early warning and control aircraft rather than four—that would reduce burdens imposed by Australia upon the United States within this region. These investments would also enhance the value of Australian Defence Force coalition warfare contributions and, by the nature of what they are, they do reduce the potential for Australian Defence Force personnel casualties in combat operations conducted as part of coalition campaigns.

Australia should also be looking at shifting its engagement with the United States on missile defence issues, from the focus which currently exists on ballistic missile defence to cruise missile defence, as the latter statistically will represent, and even now represents, a more significant risk in the broad Asia-Pacific region than ballistic missiles do. Concurrently, Australia should be looking at shifting investment from surface-bound projects, like the air warfare destroyer, into more relevant areas of airborne early warning and control fighter aircraft and aerial refuelling tanker aircraft, as these are, by the nature of what they are, much better suited to cruise missile defence tasks. That concludes my opening statement.

**CHAIR**—Thank you very much. On page 5 of your submission, you said:

The United States has global commitments on a scale which could preclude the United States from rapidly plugging holes in ADF force structure capabilities in the event of a regional crisis threatening Australia.

Could you elaborate on that point?

**Dr Kopp**—It would be my pleasure to do so. The United States military at this time as a force structure is, in large part, what we call a legacy force structure left over from the Cold War. A very large proportion of the assets that the United States operate—and the aerial refuelling tanker fleet is a very good example—is decades old and in fact dates back to the 1960s. The problem that the Americans have at this time is that many of these assets are not as serviceable as they would like them to be and in sheer numbers are simply barely adequate to cover the type of global commitments the United States have.

What this means in practical terms is, if a contingency were to arise in the region where there would be, for instance, a requirement for a significant number of air superiority aircraft, a significant number of aerial refuelling tankers or a significant number of airborne early warning and control aircraft, if Australia does not have such assets within its force structure available and ready to go, we have no choice but to wait for the Americans to make such assets available. If the Americans, for whatever reason, are tied down and cannot clear these assets from other commitments quickly enough, we could be waiting weeks.

**CHAIR**—So you think that really puts a potential risk factor in our capability here in Australia?

**Dr Kopp**—I think that is a very apt observation. The reality is that in modern war, certainly in the types of modern wars we have seen, very frequently the decisive blows are struck in the first few days or the first few weeks. If we are in the position where, for reasons of underinvestment, we cannot hold our ground regionally and we are reliant upon the Americans supplying assets that they simply cannot make available quickly enough due to other commitments, then we are basically rolling the dice on this issue. We are leaving it open to chance rather than putting ourselves in the position where we can comfortably position ourselves and know that a situation like this cannot arise.

**CHAIR**—When you mention ‘plugging holes in ADF force structure capabilities’, is it across the three services or more particularly in what you refer to here: in the event of a threat in our region?

**Dr Kopp**—I think the biggest weaknesses that we are observing developing at the moment in the ADF are in air power and strategic air power. We had a proposal put forth by the Department of Defence late last year—that was accepted—for early retirement of the F111. That leaves us with a significant strike capability gap. The other issue is, of course, underinvestment in airborne early warning and control aircraft. With four such aircraft, we can only cover one relatively limited geographical area. It is patently inadequate to deal with a larger regional contingency. Another problem is aerial refuelling. With four or five aerial refuelling tankers we can effectively support perhaps 20 fighter aircraft, which, in terms of an RAAF force structure currently of around a hundred combat aircraft, is perhaps 20 per cent of what is really needed to be effective in combat. I used the term ‘holes in the force structure’ because to be genuinely combat effective in regional terms we have to have a reasonably complete force structure. We cannot afford to have significant gaps and to be unable to perform particular roles: for instance, control the air or strike against regional targets of importance. Once we leave holes or gaps like that in our capability, the only way we can fill them in a hurry is to plead with the Americans to make their assets and indeed military personnel available to do so.

**Mr EDWARDS**—Could you give us some indication of what the challenges will be for Australia to get the relationships right between Australia and America, Australia and China, and Australia and India—particularly Australia and India, given her military capacity in the area and her capacity for influence in a range of areas? What do you think the challenges are for Australia and how do you think we are fronting up to those challenges at the moment?

**Dr Kopp**—There are a multiplicity of challenges in dealing with this because obviously we are attempting to balance between three major players. The question we have to ask ourselves is what position we want to occupy in this strategic triangle and whether we want to become, in effect, a proxy player or whether we want to maintain a position of our own and a posture of our own. Clearly the relationship between China and India is, in its own right, a very complicated one. We have seen a bilateral process between these two nations of tit-for-tat weapons buys that has been well established for over a decade now. I candidly do not believe that we are in the position to in any way effectively influence the relationship between India and China. They will be driven by their own competitive pressures in Asia.

To that we have to add the complexity of the bilateral relationships that exist between India and the United States, and China and the United States. India in particular has a very vocal pro-Indian lobby group in the United States who invest a lot of effort in making their position

known. We have certainly seen a thaw in the relationship between the United States and India. During the Cold War it was very frosty due to India's in-part alignment with the Soviets. In fact this year we saw, for the first time, military exercises flown between the United States Air Force and the Indian Air Force. The Americans flew their current F15 fighter aircraft against the Russian Sukhoi aircraft.

The big issue for Australia is that we do not end up losing our capacity to determine our own position or posture in the region. If we allow ourselves to lose our strategic capacity to control the environment in South-East Asia—in particular to lose what we have in our strategic air power—we could find ourselves in a position where we have very little influence but also, as an alliance player, very little to offer the Americans.

A very good case study is the debacle we saw in 1999 with the Kosovo campaign. The Americans had to do all the heavy lifting in that campaign because the Europeans had just not force-structured around dealing with the types of problems and contingencies they would have to deal with in their very own region.

Does Australia want to put itself in that position? I do not believe that would be a good idea. We really want to look at investing in ways that allow us to have as much influence as we can have in the broader region and allow us to become more important to the Americans as a regional ally and a stabilising influence in the region.

**Mr EDWARDS**—Thank you. I know it is a difficult issue to deal with in a short period of time. Do you think Australia should be more aware of India's growing military capacity and India's influence in the region?

**Dr Kopp**—Indeed I do believe so. One of the difficulties I see with a lot of current defence policy is that it does not invest enough intellectual effort into exploring the issues of both India and China. At this point in time India is, as you might have observed from the submissions, making some very significant investments in strategic power projection capabilities. Clearly these are capabilities that are not required for the immediate defence of India when dealing with Pakistan.

A lot of this is, even given the rhetoric we have seen in the Indian parliament in recent years, directed squarely at the People's Republic of China. We have a situation where both India and China, due to industrialisation, are becoming more dependent on imports of energy and exports of products. Control of the strategic environment for both these nations is important. In a crisis or conflict it would potentially be a survival issue for both of them to avoid being blockaded.

This presents the side-effect that, as they develop the military capabilities that they need to control the environment around them, they increase their influence in South-East Asia. In turn, unless Australia invests significantly more in these types of capabilities, we will inevitably find ourselves with diminished relative influence in South-East Asia. I believe there is a case for a much closer military—and even political—effort to gather intelligence but also to maintain a dialogue with these nations to understand what their agendas are.

If I look at existing Defence thinking, at least insofar as it has been articulated—and I confess that I find a lot of the documents that Defence has produced in this area to be rather vague in

defining these issues—I do not see a strong focus on regional capabilities. A very good example, if we wind the clock back perhaps 15 years, is a series of Soviet military power documents that Caspar Weinberger produced. Each document, released annually by the United States Defense Department, reviewed developments within the Soviet armed forces and the Soviet bloc. I have on occasion proposed to Defence that such a document be produced annually here that deals with regional capabilities, including India and China. I have never been able to elicit any interest in this.

**Mr PRICE**—I rather like that suggestion. I think it would be worth while. On page 5 of your submission you said:

Neither Australia nor the United States should develop unrealistic expectations of what the alliance can provide.

Can you give us some examples of that, on both sides?

**Dr Kopp**—There are some very good case studies that we can look at here. There have been some press reports recently about, I believe, a US Army War College paper that was published in the last few weeks that argued that many people in the United States are developing an expectation that Australia can provide the types of military capabilities that the United Kingdom can provide, which in this case would involve deployments of many dozens of aircraft, dozens of ships and perhaps tens of thousands of troops. Clearly, for the United States to have an expectation that Australia can do this, without committing the whole of the Australian Defence Force, is unrealistic. Yet, if such an expectation exists or is allowed to set in, the Americans could find themselves in a regional contingency where they believe that Australia can do more than it can do, and the natural consequence of that will be disappointment.

The other side of this coin is the issue that I have raised previously—that is: will the United States be in the position, if Australia finds itself in a contingency of some kind, to immediately supply 30 aerial refuelling tanker aircraft on one week's notice? To reinforce that point, perhaps the best case study we have is the post-9-11 period in the United States, when the US Air Force launched the Noble Eagle campaign, which involved standing combat air patrols of fighter aircraft, tankers and airborne early warning and control aircraft all over the United States. The US Air Force very quickly found itself in the position where it was short of personnel, short of airborne early warning and control aircraft and, indeed, short of aerial refuelling tankers. It found itself in the position where it had to pull tankers back from other deployments and had to call up a large number of reservists and Air National Guardsmen. Where we could get ourselves into significant difficulties is if a contingency or a scenario arises where Australia is in need of such assets, because it does not possess these yet. The Americans have also found themselves in a situation, such as post 9-11, where they have had their own domestic interests and population to protect.

**Mr PRICE**—As you are aware, Dr Kopp, we have placed your submission about the Joint Strike Fighter and the retirement of the F111s on the public record. It looks like we will have a separate one-day hearing on that, so I am not going to explore those issues in your submission, if that is all right. I was very interested in your comments about cruise missiles. Can you put on the record the difference between the antimissile system that the Americans are exploring and theatre missile defence?



**Dr Kopp**—I am quite happy to comment on that in a considerable amount of detail.

**Mr PRICE**—I am a willing listener, but our chairman tends to get a bit short-tempered, I am afraid.

**Dr Kopp**—Perhaps the starting point is to distinguish the differences between a cruise missile and a ballistic missile. A ballistic missile is pointed up at a very steep angle. It is typically powered by rocket. When it is fired, it flies a ballistic arc. If it is big enough, it will perhaps cover half a continent or half the planet. It comes down into the atmosphere, not much differently than a space capsule, at an extremely high speed. Most frequently ballistic missiles are quite easy to detect, but, because of their very high speed, they are very difficult to shoot down. Therefore, if you are trying to engage a ballistic missile, you require a high-performance radar. You basically point it up into the sky and look for the incoming missile. Once you have spotted it, you attempt to track it. If you can establish a good enough track, you then shoot an antiballistic interceptor missile, which is again essentially a high-performance rocket with a smart guided warhead. Sometimes you just aim to collide the two vehicles, and then it simply becomes a game of trying to shoot a bullet with a bullet.

Cruise missiles are a very different beast. These are in effect miniature air-breathing aeroplanes, except they are robot controlled. The size of a cruise missile will of course vary from type to type. The real difficulty in detecting cruise missiles is that most of them are designed to fly at a very low altitude. We have managed to penetrate air defences with the F111 for many decades successfully in the region by hugging the ground at very low altitude, which hides us below the radar horizon. A cruise missile penetrates an opponent's defences in pretty much the same way. Cruise missiles are much slower than ballistic missiles. They usually carry warheads of a similar size. The distances they cover depends on the size of the cruise missile. The key issue is that, because they fly at very low altitudes, they are extremely difficult to detect and to intercept. A major contribution to the bankruptcy of the Soviet Union was the effect of the United States Air Force putting cruise missiles on its B52s and the US Navy putting cruise missiles on its submarines. The investment the Russians had to make in air defence missiles was absolutely prohibitive.

When we compare warships that are designed to defend against ballistic missiles, warships that are designed to defend against high-flying aeroplanes and warships that are designed to defend against cruise missiles, we get into the area of radar physics. The central issue here is what we call the operating wavelength of the radar. That is a key parameter both in terms of a radar's ability to penetrate weather and its ability to detect targets of a particular size.

Looking at radar systems that have been explicitly designed for the interception of ballistic missiles, all of these examples operate in what we call the radar X-band or centimetric band, where the wavelength of the radar would typically be one to two inches. If we look at missile systems that have been explicitly designed for the purpose of shooting down cruise missiles, what we find is that most of these systems also operate in the centimetric X-band. However, if we look at radar systems that are designed for the interception of aircraft at long range, these will typically operate at much greater wavelengths—what we would call the decimetric radar bands. The key issue here is that, at least with today's technology, we cannot build a radar that operates well in all of these bands; we can either do one or the other.

Certainly my understanding from the press that we have seen on the air warfare destroyer is that they are looking at putting in an Aegis system. That is a system that was primarily designed at its inception to shoot down supersonic aircraft at long range or supersonic cruise missiles flying at high altitude. It does have some capability against ballistic missiles and it does have some capability against cruise missiles, but I would not be prepared to call those the primary optimisation of that radar design. To amplify this point, we have the DD21 project that the Americans have been looking at. There are two radars that they intend to put on those warships: one of them is an X-band radar and the other one is an L-band radar, which essentially fit the description that I provided earlier in this response.

**Mr PRICE**—I think your submission suggests that we will be more likely to have to defend against cruise missiles than ballistic missiles.

**Dr Kopp**—Yes. I think that is an unavoidable reality at this point in time. If you look at the types of weapons that have been purchased in the region, if you look at the supplementary submission to the submission related to this hearing, you will see a number of different missile types. That description does not include indigenous Chinese missiles; all that I put in there were the Russian ones. What we are looking at are missiles that will be launched from warships, launched from submarines and launched from aircraft. Much of what the Russians are selling into the region at the moment is limited to a range of perhaps 300 kilometres, to comply with the conventional non-proliferation treaty arrangements that the Russians have entered. Again, with a lot of these weapons, they are turning them into a Tomahawk-like cruise missile that goes a significantly bigger distance. With a number of these missiles it is just a question of putting a plug into it with a bit more kerosene in it and perhaps making some software changes.

If we look at sheer numbers, if we look at ballistic missiles exported by North Korea, at this stage I think the numbers have largely been in the order of dozens. On the other hand, if we look at war stocks of cruise missiles, or I suppose what we would call expected war stocks of cruise missiles in the Asia-Pacific, I would estimate that there would be several thousand of these by about 2015 to 2020. It is a numbers game. In terms of sheer numbers, ballistic missiles will not be able to compete with cruise missiles.

**Mr EDWARDS**—You argue that Australia must find a position that balances developing capabilities for the defence of Australia with capabilities that contribute to coalition operations. Have we got that balance right at the moment, are we close to having it right or are we, indeed, a fair way away from it?

**Dr Kopp**—I believe that at this point in time we are not looking very strong in this area. The key point here is that the types of capabilities Australia needs to deploy and maintain to control its air space and its regional environment are essentially long-range strike and air superiority, aerial refuelling and airborne early warning and control. These are all assets that the Americans have had serious shortages of in recent coalition campaigns. They have very frequently been pulling in aircraft from bases all over the world just to try and make up numbers.

We are in the position, I think—almost uniquely at this point in time—where what decisions we make about what equipment we purchase in the next few years will determine not only whether we are able to control our environment and also whether we have these types of assets to offer to coalition campaigns. There is a view that I have seen asserted very frequently that we

should be concentrating on providing a defence force that is optimised for coalition warfare. I do not believe that that is a supportable position. In the end, that it is a little bit like optimising the ADF for peacekeeping. I do not believe the idea of building up a strong capability to defend the continent is something that runs counter to having a good capability for coalition warfare; it just means that we contribute different types of assets.

I think Defence are underinvesting very seriously in long-range strike, as we see in this proposal to get rid of the F111. In air superiority, we see at this stage a de facto commitment to the Joint Strike Fighter, which is of course essentially a small strike aircraft that is not optimised for long-range strike or for penetrating heavy air defences, and it is not optimised for air superiority like the F22 the Americans are purchasing. That is another direction that Defence are taking in force structuring that drives us, by default, more in the direction of being optimised for providing a supplementary supporting coalition force asset rather than a primary coalition force asset, as well as not being the type of asset that supports—let us call it—a regional theatre control environment. I am probably using slightly technical language here; I apologise.

Aerial refuelling is another area where the Americans have had difficulty. Again, we need aerial refuelling for the RAAF to be credible, whether it is in strike operations across the broader region or in air defence operations. If we want to keep fighters airborne 24 hours a day, we will only achieve that with a very large number of aerial refuelling tankers. If we look at previous coalition campaigns, Britain's fleet of, I think, about 20 to 30 aerial refuelling tankers—it varies year by year—has been used very heavily in these campaigns, and the Americans have repeatedly asked for them because they are basically an asset that there is always a shortage of. So that is another area where, again, I think one can make the case that Defence are not making the right type of investment.

Finally, we have airborne early warning and control. Again, that is an asset that is vital if we are to control the airspace in the north of Australia, as well as the airspace in the approaches to Australia. If we look at what happened after 9-11, the United States were borrowing airborne early warning and control aircraft from NATO because they simply did not have enough aircraft and crews to sustain the type of effort they needed to sustain.

**Mr EDWARDS**—I want to stay away from the JSF issue, because we will come back to that on another occasion, and my question is broader than just that. If we are not buying the right type of equipment, why are we not buying the right type of equipment? Is it because we have a philosophy that we must be buying American made? Is it something to do with the flow and opportunities for defence industries in Australia? Is it because of a view about interoperability? If we accept your argument that we are not buying the right type of equipment, why do you think this is?

**Dr Kopp**—That is an excellent question, and I have spent a lot of time attempting to understand the defence department's reasoning process in this area. There are several reasons that contribute to this. I do not believe that a number of the choices that Defence have made in recent times necessarily provide the biggest or best output for Australian industry. In fact, I think one could make the case that in many instances the impact on industry has been compromised by such decisions, and the F111 is a very good case study. So I think the industry issue does not really figure very prominently here.

Looking at the common thread through most of the purchases, the view put to me by a number of people in the defence industry in recent months is that it has been what we call 'sticker price', rather than capability, long-term support costs or value for money. Another view put to me in this context has been that Defence is trying to minimise the number of decisions it has to make in purchasing equipment and also the complexity of these decisions—in other words, it has been trying to find simple solutions rather than particularly clever or sophisticated solutions, because the simple solution might be thought to be easier to sell or present publicly to other parties within the department. Because Defence does not have a high level of transparency in this area, it is frequently very difficult to define what its actual reasoning process is. Again, as presented in the submission, relating to the Defence annual report, I think deskilling within Defence is clearly an issue. We have seen a lot of analytical capability lost from Defence or shifted from uniformed personnel to professional service providers or contractors. I do not believe there is a simple or single answer to this question; I think we are dealing with a confluence of a number of factors.

**CHAIR**—I would like to ask you about ADF interoperability with US capabilities. Of the two components of interoperability that you have identified on page 7—interoperability through operational technique and support training; and technological interoperability—which is the most important to Australia?

**Dr Kopp**—That is an excellent question. I am not sure there is a simple answer, insofar as both are important but in different ways. Looking at the issue of interoperability through operational technique and doctrine, clearly if our personnel are trained quite differently from the Americans and do things very differently it would be very difficult for us to slot in with them operationally and it would be very difficult for their planners to find ways of using assets that function very differently. Having said that, we cannot afford to neglect the issue of technological compatibility, particularly in communications and combat identification systems.

The issue of interoperability in combat identification systems and communications is an important one, because the Americans have problems themselves, between their own services, in dealing with this particular issue. I bring to the committee's attention as examples a number of the friendly-fire incidents we have seen in recent conflicts, particularly 12 months ago in Iraq. A very good case study is where US army patriot missile batteries were shooting at US Navy and Royal Air Force aircraft. We also had a situation where a US Air Force F16 fighter shot an anti-radiation missile into an army patriot battery. More recently we have seen reports coming out about an incident in which a US Marine Corps forward air controller, for whatever reason, ended up directing a US Air Force A10 aircraft to strafe US Marine Corps troops. So I believe the issue of interoperability is important in both areas, and I am not sure that we can afford to neglect either of them.

**CHAIR**—In relation to the level of Australian industry involvement in the US defence industry, some groups claim that the US restricts the sharing of source codes and intellectual property to the detriment of Australian industry and ADF operational requirements. How real and significant is this concern?

**Dr Kopp**—I do believe this is a significant issue, but I do not believe that the Americans are uniquely restricting access to Australia. This has been a general policy of attempting to, in effect, maintain a technological monopoly in many areas. That is entirely understandable in so far as, whichever industry holds the software source code on a system, in many modern systems today

it is the crown jewels in that system. There are two examples that I always like to point out—the FA22 fighter that has 2.5 million lines of software source code in it, or so we are told, and the Joint Strike Fighter that has five million lines of source code in it. When we are looking at systems of this nature, perhaps 90 per cent of the intellectual effort invested into creating that military system is in the software. So I do believe that we can expect the Americans and in time other international vendors of military equipment to guard their software source code increasingly carefully because it boils down to being, again, the crown jewels.

What this means for Australia in negotiating contracts for the purchase of any systems, be it from the United States or elsewhere, is that we really must always approach this with access to source code being a key consideration at the beginning of the negotiating process. We do not want to find ourselves in the position where we have committed to a particular asset and then we are coming back five years later saying, ‘Pretty please, could we have the software source code for this system?’ because that does not give Australia a strong negotiating position.

**CHAIR**—Thank you. We have exhausted the questions at this stage. But, as Roger Price said in relation to the Defence annual report, questions relating to air power will be the subject of a separate public hearing, the date of which is to be determined, and we will be publishing your submission. Thank you for your attendance via video link today. We certainly appreciate that. If you have been asked to provide any additional material, would you please forward that to the secretary. I conclude by thanking you very much. We value your contribution and look forward to future hearings.

**Dr Kopp**—It was a pleasure.

[2.02 p.m.]

**TOW, Professor William, Professor of International Relations, Griffith University**

**TROOD, Dr Russell, Associate Professor of International Relations, Griffith University**

**CHAIR**—Welcome. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. Do you wish to make an opening statement?

**Prof. Tow**—It is a pleasure to be here in person to testify before the subcommittee. I would like to make one correction to the text that we submitted. The second line of the second paragraph on page 13, which reads, ‘Opponents of Australia’s military involvement in Afghanistan in early 2003’, should obviously read, ‘Opponents of Australia’s military involvement in Iraq in early 2003’.

The key elements of the submission rest in the last paragraph on page 5 and the top paragraph on page 6, where we identify three key questions which, essentially, are the subject of our particular analysis. The first question deals with whether ANZUS, as it exists today, reflects interests that are sufficiently important to both the United States and Australia to sustain an alliance in a post Cold War context, particularly given that the international security environment is changing so rapidly. Very briefly, the answer to that is that we believe it does, and the text of the treaty itself should therefore probably not be revisited.

I raise this point because I noticed in reading some of the other submissions to the committee that some witnesses have speculated on the utility of perhaps revisiting the treaty and making it more Pacific-centric or more directed towards specific national interests or strategic missions. I think I can speak for Dr Trood in saying that we believe the treaty’s current language and context provides for sufficient flexibility to allow it to remain viable in its current form.

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

The third basic question we have raised in our submission is: will the alliance be sustainable in terms of finding a judicious balance between a region-centric security agreement directed towards the Asia-Pacific region—or perhaps even subregions of the Asia-Pacific region—and a global or international security politics? That is probably the most interesting question of the three that we have raised, because as a middle power—to use the terminology that some of your

other witnesses have used—Australia may, over the middle to long term, have to face some very tough choices in how it looks at the alliance in terms of its own national security interests and to what extent it can reach an understanding with the United States over the future alliance purview and relevance. Those are the three major questions we have advanced in the submission and our subsequent analysis attempts to illuminate those three concepts. I think that is probably enough from me in summation.

**CHAIR**—Dr Trood, we apologise for the problems in connecting the videoconference. Before we ask questions of Professor Tow, I would like to welcome you to today’s hearing. We have had an opening statement from Professor Tow and we were just about to ask questions. Would you like to make an opening statement?

**Dr Trood**—I do not think it is necessary. I heard the end of Bill’s remarks and since it is a joint paper I think you have our views before you.

**CHAIR**—One of the common criticisms of ANZUS that you have noted on page 1 is that it provides no legal guarantee for an American defence. Should a review of ANZUS seek such a guarantee?

**Prof. Tow**—My opinion is that it should not. At the end of the day, the viability of an alliance essentially evolves through the nurturing of strong political and cultural relationships relative to the sharing of common values. For the most part, I think the United States and Australia meet that particular criterion for alliance partners. Again, when you begin to get very specific in terms of alliance or treaty language, that inherently restricts your flexibility to a greater extent than would be desirable vis-a-vis various situations that may arise which are previously unanticipated in a strategic context.

**CHAIR**—One of the presentations we had this morning was from Future Directions International. They argued:

We may be too close at present, which can limit our ability to manoeuvre in accordance with our own national interests ...

Would you like to comment on that? Has Australia assumed a security posture that is too close to the United States?

**Prof. Tow**—I have read the FDI submission, and I thought the author developed that point very well in his text. My own response is that he has a point. There can at times be—more in terms of appearance than actual substance—the image of acquiescence or perhaps of Australia being too obsequious in certain situations. That is probably as much about how Australia is perceived by outside parties as the extent to which that is perceived by your ally. Clearly with the so-called deputy sheriff image in Australia’s alliance policy with the United States, which selected Asian leaders have cultivated over the past six or seven years, it has been somewhat problematic for Australia to exercise maximum diplomatic leverage in the region. I am not saying it is a decisive element, but perhaps Australia should have been a bit more conscious of the image—or of the danger of the image being created—from the outset in terms of the so-called resuscitation of the alliance, which was very much on this government’s mind after it was elected in 1996. I might add that that was compounded by the fairly open and strong stance that

this government took in support of United States intervention in the Taiwan crisis. It is a matter of style as much as substance. In that sense, I think the FDI submission made a very good point.

**CHAIR**—Dr Trood, would you like to add anything to that?

**Dr Trood**—Perhaps I could make a couple of observations. I begin from the proposition that there is a vast and considerable comity as regards the interests between the two countries on a range of strategic and, indeed, economic issues, so the fact that similar positions are struck by the two governments is barely surprising. There is an inclination for critics of the alliance to focus more attention on the perception than on the reality. The perception, of course, is that there is a great deal of similarity in the two views. I am not surprised about that.

And then there is the reality, which is that there have been occasions—even in the last 12 months or so—when Australian views have differed from Washington's. For example, in the context of the Iraq intervention, as I understand it, Washington would have preferred or desired that Australia maintain its large commitment of forces in Iraq, but Australia took the view that that was not desirable and told the Americans that it would withdraw a substantial proportion of its forces when the combat phase of the operation was over. And that is precisely what it did.

Indeed, there were occasions during the course of the combat operations themselves when, as I understand it, there were targets identified which Australian operational commanders decided were inappropriate as targets for Australian forces. So clearly there is a perception of proximity of interest, but when Australia needs to assert its different interests it clearly does so. I think that is the reality of the alliance.

**CHAIR**—Thank you.

**Mr PRICE**—I was very interested in this notion of 'alliance entrapment' and in exploring the extent to which we can still have a strong alliance but maybe have strong differences of opinion. Do you want to elaborate on that? My fear about the region is that we will reach some point, which I cannot specify, where America will disagree with us and we will be very much on our own. Would you agree with that?

**Prof. Tow**—There is always room for counterfactuals in any type of analysis, and obviously down the line a situation will develop in Asia or elsewhere where there may be divergence in terms of the best way to go about it. Perhaps one of the best ways to avoid entrapment is to be an ally that is not afraid to consult. I do not mean consult in a threatening manner but rather consult in a strong and steadfast manner, with the understanding well established in advance that such consultations are designed to strengthen and to reinforce alliance ties. An alliance is essentially like a marriage, in the sense that a good marriage is always going to have periods of time when disagreements will occur, but one of the great arts of the management of marriage and the management of an alliance is learning how to overcome those differences and move ahead in a way that means neither of the allies' national security interests, if at all possible, are going to be seriously damaged.

I guess the critics have had concerns in recent years, and I think Russell is justified by pointing out some of the situations where in fact there have been differences, and yet the government has been pretty shrewd in terms of declaring limits to its specific commitments



towards Iraq. East Timor would certainly be another case where, at the outset of that crisis, there clearly was not a real congruence in terms of the American and Australian perceptions, but through consultations—some of them fairly spirited, from what I understand—the East Timor situation turned out very well. I think that is really the sign of a robust and strong alliance. I do not think we should be necessarily apprehensive or fearful that alliance entrapment is going to happen automatically every time there is a disagreement between the two alliance partners, but it is really a matter of finessing a consensus on how to agree to disagree and yet move forward in a way that allows the alliance to sustain its credibility.

**Mr PRICE**—Would you say, for example, that when the American ambassador suggested that any withdrawal of troops at Christmas would be very damaging to the alliance relationship that was more an element of the ups and downs in the relationship and that it would certainly survive and go on?

**Prof. Tow**—I think my response to that very penetrating and justifiable question would be that I probably would not have handled it the same way he did.

**Mr PRICE**—Indeed. He does have a lot to say, doesn't he?

**Prof. Tow**—Yes. But let me also hasten to add that I respect the American ambassador very, very much.

**Mr PRICE**—Sure; absolutely. Same here.

**CHAIR**—Dr Trood, would you like to say something on that 'penetrating question'?

**Dr Trood**—Perhaps I could make a remark on the earlier part of that question, because I think it is an interesting question. These are countries that have at times different interests. They are allies—they have been allies for over half a century—and I expect the alliance to continue. I would be surprised if it did not. But there will be occasions, and we all should anticipate these, when there will be differences of view. I do not find that unusual; I fully expect it. In fact, I would be surprised if there were not those occasions. But it seems to me that the alliance is sufficiently robust—it has been robust for a long time—that these differences are acknowledged as a foundation for the respect that each country brings to the alliance.

There have been critical moments. Suez comes to mind, in 1956, when there was clearly a fundamental difference of view between Australia, Britain and the United States in relation to that particular intervention—and we got over it. These things will occur. I actually think there is probably more room for manoeuvre and difference in the alliance than perhaps both sides appreciate—that in fact it is more tolerant of difference than perhaps we are likely or inclined to expect. I do not think we should necessarily exploit that tolerance of difference, but I do think it is a reality which in fact strengthens the alliance.

**Mr PRICE**—I think most of us on the committee certainly see the alliance as just fundamental, today and into the future. To what extent has the strength, if you like, of the alliance perhaps inhibited more robust relationships in our region and the development of a diplomatic and security infrastructure appropriate to our region?

**Dr Trood**—Was that a question to me or to Bill?

**Mr PRICE**—Either.

**Dr Trood**—I am not persuaded that it has made any material or manifest restriction on those limitations at all. It seems to me that this is a complaint or an argument which is made frequently but is in many ways unsustainable. When you look around the East Asia region, many of the countries are actually allies of the United States itself—there is Japan and South Korea, and the Philippines was an ally and retains a close relationship with the United States, as do Singapore, Thailand et cetera. Many of the countries have an alignment with the United States of one kind or another. It would be passing strange if that reality were to affect our own relations with the region itself. Over the last 20 years, and in fact longer—as long as the alliance has been in place, I would argue—Australia has effectively been building relations with the Asia-Pacific region. This process of Australia building relations with the Asia-Pacific, in particular East Asia, largely began after the Second World War. It has intensified during this period, most notably of course since the 1980s, but to my mind it is difficult to see a compelling argument to say that it has had a material effect on our capacity to build relations with the region.

**CHAIR**—Professor Tow, would you like to say something?

**Prof. Tow**—Yes. I agree very much with most of what Russell says, but I think there is one nuance that we might want to consider here—that is, the notion of multilateralism. I think this government has probably been less enthusiastic than its predecessor about the benefits of Australia moving in a very serious and sustained way to engage in multilateral security diplomacy in the Asia-Pacific region. Where this becomes significant is that, since 1996, China in particular has adopted a far more visible and aggressive posture of multilateral diplomacy, most notably through its so-called new security concept agenda, which it is now advancing to essentially solidify the process of ASEAN plus 3—a process of which, unfortunately, Australia is not a part.

I agree with Russell that, particularly in the areas of bilateral relations and alliance security relations where we have the five bilateral treaties, which have obviously been strengthened over the past few years, various American initiatives have been taken to strengthen both the management of the alliance and some of the resources at their disposal. However, we do have to remain attentive to some extent about the potential dynamics of the Chinese essentially arguing that alliances such as ANZUS are out of date in our time. It is an appealing argument to some of the countries in the region that, after all, had their underpinnings rationalising their existence on the basis of the politics of non-alignment as they moved towards independence and sovereignty in the Cold War years. There is a resonance that the Chinese recognise and have attempted to exploit to some extent. To wrap up this answer, it is also important in the context of Sino-Australian relations. Australia has a real diplomatic challenge of, on the one hand, responding in an enlightened and appealing way in the perceptions of other regional actors, while, on the other hand, at the same time maintaining the momentum of its alliance ties with the United States.

**Mr EDWARDS**—Professor, you say on page 11 of your submission that the approach of the Howard government in recent years has meant that Australia has become a global ally of the United States rather than one restricted to a specific region. We have had it put to us through another submission that Australia must find a balance between developing capabilities for the

defence of Australia with capabilities that can contribute to coalition operations. In view of your statement on page 11, what is your opinion on how close Australia is to that balance at present?

**Prof. Tow**—I think you have picked up on a major theme of our submission, which is that we are still contemplating where that balance really should be. The so-called debate over defence and security postures in this country has really heated up over the last year or two, with one faction indicating that the government is moving increasingly toward a global coalition of the willing posture and another faction saying, ‘This really gets away from what we should be, which is essentially a regional security actor.’ To some extent I think that debate has been deflective of what should really be the core element of strategic planning—that is, how does our region specifically relate to international security? To what extent does the Asia-Pacific region and, by extension, Australia’s strategic place in that region relate to the changing and emerging international security environment?

There are two areas that we might want to look at—and there are many areas, but two immediately come to mind. One is the nature of terrorism. To what extent can terrorism be conceptualised and responded to in a regional context in a way that Australia can really make a difference and take the lead? The Americans have intimated that they perceive Australia taking a regional role in this by essentially endorsing the so-called Pacific doctrine—that the so-called arc of crisis is something for which Australia should be assigned priority within the overall American global strategic outlook on where elements of instability and asymmetrical threats are developing terrorism.

To wrap up the answer, the second area that I think one has to take a look at and which is often underplayed is that, while the Cold War may be over, great power politics is not necessarily over at all. With the exception of the European Union, the world’s great powers to a large extent are still located in that North-East Asian foci, if you will, of Japan, China, Russia and of course the major test of that at the present time is the Korean peninsula. Australia has to take a serious look at how the Korean peninsula’s regional security problem reflects upon global security issues such as weapons of mass destruction, non-proliferation and so forth.

**Mr EDWARDS**—I was going to ask whether Dr Trood might be able to comment on that. Before I do, I note that you did not mention India in those major players.

**Prof. Tow**—No, and you are very correct to pick up on that. Increasingly, India will be an interesting regional player, but I am still not convinced that India has escaped the local security dilemma, the Indian-Pakistani dispute over Kashmir and the nuclear situation to really take its place as a major regional player with global ramifications in the way that the other powers that I mentioned probably could.

**CHAIR**—Dr Trood, would you like to add some comments?

**Dr Trood**—I agree with the remarks Bill has made in relation to India. In relation to the earlier question that was asked, this is a serious challenge; there is no question about it. When you have a finite amount of money to fund a defence portfolio, these questions are really acute and they are difficult to manage. There is no doubt about that.

The point I would make is that there is a theme running through Australian security policy which has seen us from time to time focus particularly on the region and on other occasions be a more global player. In fact, I would argue that one of the most important dimensions of Australian foreign defence policy since Federation, and indeed beforehand, has been this inclination to be an internationally engaged player. One of the first expeditions that Australia ever undertook was to send forces off to Khartoum to avenge General Gordon's departure from life and the colonies in the 19th century. We have been doing that essentially ever since.

Now that is a long way away, but I suppose the point that is worth making here is that we have been trying to grapple with these challenges for a long time and they have not gone away. In some respects, we have reached a period in history when of course, in the context of globalisation, the forces and the dynamics of the international system are forcing us all together. So if we were suddenly, in the context of this particular dynamic era, to begin to retreat and take a very narrow view of our interests, it would be not only inconsistent with the historical position that we have actually charted, it would be peculiar in the context of an international environment which is fundamentally more integrated and fundamentally involving greater degrees of interdependencies from one side of the world to the other.

**Mr PRICE**—Are you saying that this international engagement or as an aspect of being globally involved with the United States should really become a force determinant when we are looking at structuring our defence forces?

**Dr Trood**—I am not making the argument that this should be the only priority. As I said at the very outset, there is clearly a need to have regard to the security imperatives of the region—and there are enough of those on our doorstep as we know from the last 12 months or so which require our attention. For a small force, there is a kind of logic to that. It is also a reality that terrorism, for example, is a global phenomenon and we will not be addressing that particular problem only by saying, 'We're going to pack our tent and just focus on the Asia-Pacific.'

**CHAIR**—You note on page 9:

... Australia is ideally suited in a post-9/11 context to forge an 'anglospheric' coalition in the defence of liberal democratic principles.

Would this path risk marginalisation within our region and elsewhere?

**Prof. Tow**—This probably accurately characterises the flippant portion of the submission. The phrase was picked out from an article, an op-ed piece, authored by I believe Thomas Friedman of the *New York Times*, who is known to turn a phrase or two. His point was that, at the end of the day, when you had essentially a stalemate in the United Nations and there did not seem to be any other way out of the impasse of the Iraq crisis—and, of course now, with the benefit of hindsight, we are not sure there was much of a crisis at all—if you want incessant and never-ending diplomacy, you go to the Europeans. If you want a focus on region-centric priorities, with perhaps a bit of a contribution of peacekeeping forces and certainly a lot of money thrown at particular crises, you go to Japan and the Asia-Pacific. If you want somebody to fight for you, you dial 911 and hope that the operator speaks English. That is essentially Friedman's point. Given the opportunity to restructure the submission, I would probably restructure it with somewhat different matter.

**CHAIR**—Thank you for that clarification. Russell, do you have anything to add to that?

**Dr Trood**—No. I think that Bill has covered it perfectly well.

**Mr PRICE**—I notice in your submission that you suggest that the ANZUS alliance has exacerbated Australia's vulnerabilities to international terrorism. Would you like to amplify that?

**Prof. Tow**—Can you cite the page number?

**Mr PRICE**—It is on page 1.

**Prof. Tow**—Which paragraph are you referring to?

**Mr PRICE**—It was listed as page 1 in my briefing notes.

**Prof. Tow**—There is certainly a view to that extent, but I am not sure that we went so far as to say that.

**Dr Trood**—It is line 6 on page 1, Bill. My understanding is that we were putting a view.

**Prof. Tow**—Yes. I think we were trying to represent a view of the critics. Is that right, Russell?

**Dr Trood**—That is what I take it to be, yes.

**Prof. Tow**—I do not think that we were actually asserting that particular view.

**Dr Trood**—We were not necessarily embracing it.

**CHAIR**—ASPI has argued the importance of shared values and public opinion in maintaining future viability and suggested that the government do more to bolster greater public awareness of the importance of the ANZUS alliance and to facilitate deeper understanding of the United States. ASPI refers to this on page 3 of its submission. In your opinion, how important is public opinion in relation to the future viability of ANZUS?

**Prof. Tow**—I think public opinion is very important, but I am somewhat perhaps more sanguine than the ASPI author about the need to heighten the awareness of the alliance per se. I think that same submission cites an 80 to 90 per cent public opinion approval rating for the alliance, which is really rather extraordinary. This is Peter Jennings submission on behalf of ASPI, and I think he actually cites some polling data, with rather high percentages, that the Australian public supports the alliance and has supported the alliance. I think 80 to 90 per cent think that the alliance is either directly related or somewhat related, in a favourable sense, to Australia's national security interests. It is something along those lines. The Americans do not poll very frequently on American feelings towards the ANZUS alliance, but there have been some surveys done over the years. Watts and Potomac Associates come to mind. The question they tend to ask is: which country is perceived most favourably among all the countries in the world? Australia invariably ranks 1, 2 or 3.

So, clearly, the affinity and goodwill between the two countries is well established. In some ways, one could make the case that, if the alliance is working well and is functioning efficiently, no news may be good news. While I certainly endorse the sentiment that is implied in the ASPI submission in terms of the value of the alliance, I am somewhat sceptical that there has been anything that the current government has left remiss in heightening the awareness of the alliance to the Australian public.

**CHAIR**—Russell, do you want to add anything?

**Dr Trood**—I agree completely. The alliance and the broader security relationship are, essentially, in good repair and are held in high esteem by most members of the Australian public. I certainly support the ASPI submission insofar as it points to the need for a general process of education about security issues. I think that is very important. The point I would extend from Bill's remarks is that there might be a need for the Bush administration to more fully and clearly explain to the Australian people its own position on some of its issues. That might require it to put more effort into its public relations.

**CHAIR**—Finally, is the level of anti-American sentiment amongst segments—and I emphasise segments—of the Australian community detrimental to ANZUS?

**Prof. Tow**—Yes and no—yes in the sense that there is always a potential for those segments to expand if alliance politics are not managed adroitly; no in the sense that, on a relative basis of comparison, the alliance has been managed pretty well by both sides of the political spectrum in both Australia and the United States.

I will quickly conclude by saying that I edit the *Australian Journal of International Affairs*. There was a special issue on ANZUS that came out around July 2001, with one contribution that was written by two parliamentarians in this country. I will not say who they were but, essentially, they were making the argument that the younger generation of Australians do not relate to the alliance all that effectively. I had some sympathy for that argument because, in one of the previous testimonies I gave before this particular subcommittee, I speculated that that might occur. With the benefit of hindsight, there does not seem to be any generational gap at this juncture in terms of alliance support.

**CHAIR**—Dr Trood, would you like to make a final comment.

**Dr Trood**—There has always been a small segment of the Australian population which opposes the alliance. It is striking how little traction it has been able to secure within the public impression. It seems that, so long as there is broad parliamentary support for the alliance—that is to say, between the coalition and the Labor Party—across the spectrum then there is relatively little danger of the alliance being reduced in importance. That is the critical thing. Even though there might be differences of view and emphasis about the alliance from time to time, provided there is continuing and strong support for the alliance, it will remain a critical element of Australia's security policy.

**CHAIR**—That concludes this section. I thank both of you for your attendance here today. If you have been asked to provide any additional material, will you please forward that to the secretary. We do value your contribution and your submission.

[2.45 p.m.]

**DIBB, Professor Paul, Chairman, Strategic and Defence Studies Centre, Australian National University**

**CHAIR**—Welcome. Although the subcommittee does not require you to give evidence under oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. I am sure you are well aware of that, given your experience. Would you like to make an opening statement to the committee?

**Prof. Dibb**—Yes, a short one. Before I do, I will stress some of my background on the US alliance. A lot of it will be familiar to you and Mr Price, but I will put it on the record. As you know, I was previously deputy secretary of Defence for strategy and intelligence, which meant running the policy on the alliance relationship with the United States. Before that, I was Director of the Defence Intelligence Organisation. I have held top secret absolute security clearances since 1970 to do with a wide range of American intelligence and policy issues. I have been closely involved with the operations of Pine Gap, Nurrungar and North West Cape. Even as an academic, 18 months ago when I was in the United States I got to see Vice-President Cheney, Deputy Secretary Wolfowitz and Deputy Secretary Armitage, which I think is a reflection, if you like, on the relevance of the alliance to people like me.

**Mr PRICE**—I don't think the committee is going to be able to beat that!

**CHAIR**—Do not undersell yourself, Professor Dibb.

**Prof. Dibb**—I have to put this on the record in a defensive way because, sure as hell, if I say something mildly critical of the alliance, somebody is going to drop on me from a great height. That is my experience.

**CHAIR**—We are very familiar with those statements of great note, aren't we, Mr Price?

**Prof. Dibb**—I guess what I am trying to say, with due respect, Chair, is that I do not actually need any lessons on the American alliance. I know a lot of this will be familiar to you, but perhaps I will put a slightly different spin on it. The first thing I want to talk about is the crucial importance of the alliance to our defence policy. That is the first point I want to stress. Secondly, I want to walk briefly through some of the changes that have occurred to the United States as a world power, particularly since what they call 9-11. As you know, I have canvassed this in two papers that I have submitted to you. Thirdly, I want to examine whether in some ways the alliance is at a crucial turning point.

As to the first—and this will be very familiar to all of you—the alliance is vital to our defence policy, and in particular in three key areas in my view: firstly, in the intelligence area; secondly, in the access we have to weapons systems; and thirdly, in terms of military logistic support. I rank these as crucial and of the highest order of priority. Some of my colleagues, including, I think, those in ASPI, would put a little more weight on the importance of the alliance in

cementing the American military and diplomatic presence in the region. I acknowledge that as a very high order utility of the alliance, but when push comes to shove the three issues of intelligence, weapons and logistics are absolutely central to our national defence interests.

I will explain what I mean by that. As you know, we are a member of the close inner alliance intelligence club that includes the United Kingdom and Canada. It used to include New Zealand until they became naughty boys in the late 1980s. They are now no longer an ally of the United States; they are a friend. In my paper I point out—and it is no state secret—that other countries, such as Germany, France and Italy, and, in our own region, Japan, South Korea, the Philippines and Thailand, do not have that relationship. That needs to be clearly understood. Some people argue that perhaps if we spent double or more than what we currently spend on defence—a non-trivial issue—we would be able to have an intelligence capacity of our own of the same order of magnitude. But we would not. That is not to underrate our basic self-reliance in signals intelligence, surveillance and other capabilities, but, frankly, world-class facilities such as Pine Gap cannot be replicated at any price.

The very privileged access we have to intelligence of the very highest order is an important force multiplier for Australia, both in peace, to establish an essential transparency and to learn what is and what is not going on, and of course in conflict and war, to give us a leading edge over any potential regional adversary, who simply would not have that access. The same applies to the associated issue of cooperation with the United States on surveillance information, particularly as surveillance and real time surveillance are becoming more available, not only through space based radar in real time but through UAVs—as you know, Chair.

Secondly, we have access to weapons systems on as good a basis as NATO. We get the good version of aircraft and missile systems, not the Third World export version. That is important. We have had privileged access over the decades to F111s and FA18s—and it is foreseeable that we will have access to the JSF combat system—advanced torpedoes and weapons systems for the Collins class submarine, similar weapons systems for surface ships and, to a lesser extent, army equipment.

Associated with that is the third issue of logistic support. We have logistic support arrangements in the event of the requirement for rapid resupply. They are not ironclad, but, given the closeness of the alliance and our small requirements for missiles, including during conflict, I would have every confidence in them.

To put it bluntly, the capacity to look, count and listen to potential adversaries' military capabilities; to track their aircraft, ships, and other military activities with confidence; and to understand the strengths and weaknesses of their electronic capabilities and their missile systems is of first order magnitude. I rank that as the very highest issue. In that sense, I think the alliance is irreplaceable.

Moving on to a different issue altogether, which is a topic in itself—but I have circulated a paper to you, so I will be brief—the changes that have occurred in the United States since 9-11 are truly revolutionary. During the nineties, after the end of the Soviet Union, there was a rather surreal American attitude to international security and alliance relationships. We were not on the radar screen in the 1990s in Washington in the same way as we were undoubtedly in the Cold War. There was a sense of drift and of, if not irrelevance, a lack of importance. There was a



focus on the so-called new world order and, if you like, the peace dividend. That all changed dramatically on 9-11.

I think we need to understand much more than we do about this new beast called the United States—how badly damaged and wounded they have been; how they intend to use, and indeed have used, military force; and how interventionist they have become. I do not say that to be critical; it is understandable that the United States feels like this. We would too if we had suffered the same sort of destruction in our homeland.

If you asked me whether I think we in this country, not least in the intelligence community and the policy community, study and analyse the United States enough, the answer would be: 'No, we don't. We take it for granted.' It seems to be a no-go area—you do not study your allies. Oh, yes, you do. When you are as dependent as we are, you need to understand very much where our ally is going and what its strengths and weaknesses are. This is a call for greater study of the United States in an objective a way as possible. I will speak some more about this.

Owen Harries, who cannot be accused, if I might say so, of being some tree-hugging Leftie, is the former editor of the *National Interest*. He has also said that the United States now is a revisionist power. It is no longer a status quo power, as it was in the Cold War. It has become very demanding of allies, including us, and because of its understandable reaction to September 11 it is now inclined to be more interventionist, more unilateralist and more inclined to use force—towards the use of pre-emption. Harries argues, and I entirely agree with him, that if this understandable policy of the United States should lead to a situation in which there is growing dislike and hostility towards the United States or alignments of powers against it then that clearly would not be in Australia's interests, neither in our region nor globally. I think that is all I need to say at present, frankly, and I will address that issue a bit more carefully in camera.

Thirdly, there is the question of—and it is a question, not an assertion on my part—whether the alliance is at a turning point. I caught the tail end of your previous discussion about opinion polls and attitudes towards the alliance both here and in the United States. It is true of course that, historically, the vast majority of Australians—generally in the order of 70 per cent or more—have been pro the alliance and, indeed, have been pro the joint intelligence facilities. I have not seen sufficient evidence or analysis of whether there has been a change amongst the younger generation of Australians, as there has been certainly amongst a generation of New Zealanders. My instinct, which is not based on any hard figures, is that we will never go down the New Zealand route. Why? Our geopolitical location, the size of our continent and its sparse population and resource richness produce a different mind-set, as you well know, in terms of the average voter's mind on national security and defence from that in New Zealand.

Undoubtedly the alliance has become much more demanding. In some ways we have now caught the tiger by the tail. The question is—and, again, I think I would like to discuss this more carefully in camera—under what conditions we might have to say no to the United States and what that might mean for the alliance relationship. We need, within the central importance of the alliance, to be sure that we have a reasonably frank relationship. I know that members of the government and, indeed, the bureaucracy will tell me that that is the case in private, and we should not wash dirty linen in public. I am beginning to detect not just amongst the media and academic colleagues but amongst a significant number of business people from a wide range of business backgrounds that I address in a wide range of localities around this country that there is

some questioning as to whether we have a reasonably frank relationship with the United States these days.

Owen Harries, again, has urged us to have a more qualified and cautious relationship with the United States. Paul Kelly, our premier journalist, has talked about the need to strike a new balance for a more independent stance. I think there is some perceived truth in the public domain about those issues and the need to do that. Indeed, Tony Blair has said very much the same thing in his own pronouncements. Let me stress in conclusion, on my part none of that is to say that we can do without the alliance. It is an issue of whether this new demand in America has taken us into a relationship that, wittingly or unwittingly, in the public domain and in the informed domain, is perhaps one where we are starting to look like the ally that cannot say no. That is my introduction.

**Mr PRICE**—Is frankness an issue in terms of mutual expectations of each other? Would you like to detail that more or is that something you want to do in camera?

**Prof. Dibb**—I think I will address it more in camera.

**Mr PRICE**—That is fine.

**Prof. Dibb**—I think it is perhaps the situation on both sides. It is the issue that, indeed, as Tony Blair said to his senior diplomats in the foreign office—last year, I think it was—nobody is critical of the United States. People understand American attitudes to WMD and, by and large, understand why the Americans went into Iraq. But, firstly, it is the way they are going about it and, secondly, it is that they appear not to be listening—they appear to have ears of stone. Of course, the Americans would say that that is not the case.

**Mr PRICE**—I think you would agree that some of our statements are causing concern in the region. One is our emulation of pre-emption and another is our support for ballistic missile defence—or the misinterpretation of what we are doing in developing that capability. Would you care to comment on either of those?

**Prof. Dibb**—Yes. You will recall that last year Senator Hill gave a speech on pre-emption. I am not sure that either the Prime Minister or the Minister for Foreign Affairs of this country agreed with that statement. I think that one would understand that if we had evidence of a terrorist strike on us we would reserve the sovereign right to pre-empt. The question with our small Defence Force is: pre-empt with what? The second question is: what sort of diplomatic implications does it have? I might say that using Abrams tanks pre-emptively and taking them down the main street of Surabaya or Jakarta seems to be in the minds of the Australian Army these days.

Secondly, concerning missile defence, I think that most of us would have no particular problem with the concept of theatre missile defence, both for our own cities and population and for our own deployed forces. I think that where there is insufficient debate in this country, virtually no debate, and a supposition that we will agree with everything the Americans tell us on missile defence concerns. When the Americans come here, as they did recently—one from the State Department, who we could name, and one from the Pentagon, who we could not name; a journalist friend of mine has called them K1 and K2—it was taken for granted that there would

be no domestic disagreement in this country about national missile defence and supporting the United States concept of missile defence. But, yes, there is. The fact that there was no recognition of that from these two senior American visitors was, on my part, very disappointing, to say the least.

I also think there is a rather casual attitude to what is demonstrably a defensive shield for the United States against a limited strike by a rogue regime—that that would have no implications for regional security and ballistic missile and nuclear proliferation. I think it would. I will say again that one of the key issues here is China. In the 1960s and 1970s, the Joint Intelligence Organisation had allied carriage of Chinese nuclear and ballistic missile issues. The Americans were not interested; they were only interested in the Soviet Union. I had people working for me in the seventies who, for over a decade, were highly familiar with Chinese ballistic missile telemetry. Whether we like it or not, the Chinese have one ballistic missile-firing submarine, and let us presume that every time it goes to sea—what shall I say—it is vulnerable. Read the book *Blind Man's Bluff* published in the United States on American antisubmarine warfare capabilities.

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

**Mr PRICE**—I would like to ask you about your suggestion that we need to study our ally much better. What initiatives do you feel we could take here in Australia about Australian knowledge of America, and are there ways we could better encourage American study of Australia and Australia's position?

**Prof. Dibb**—There would be other people who have spoken to you, including most recently, who would know more about how much Australia is studied in America, but to my knowledge it is studied very little. There is a school at Pennsylvania State University, but that does not seem to have much weight these days, and I think there are a few other small operations. I am not across the detail but I am not convinced there is any substantial study of Australia. We simply are not all that important in many ways, including academically. What surprises me in this country, given the crucial importance of the United States to this country's national security, is how few centres of study on the United States we have in our universities and, frankly, from first-hand experience, how little the United States is studied and analysed in either the intelligence community or the policy community. I well remember that, when I was head of the national assessment staff in the 1970s, we drafted for the then government a paper on America's strategic interests in Australia. I was rapidly told by the head of the organisation, who of course was a foreign affairs officer, that that was far too sensitive for us to study, and to go away and vague it up. What does that tell you? I think some focused funding for the study of the United States, maybe out of Dr Nelson's Commonwealth education funding, would not go amiss.

**Mr PRICE**—Another subcommittee is looking at Indonesia. We have good centres in our universities that look at Indonesia, our most important neighbour, and these appear to be being

wound down. But I think there would be far fewer academics in Australia who are studying America. Would that not be true?

**Prof. Dibb**—As you know, my university, the Research School of Pacific and Asian Studies, which I work in, has an annual Indonesia update conference that draws national and international attention. Where is the United States update conference in any university in this country?

**Mr PRICE**—That is a very good point.

**Prof. Dibb**—It would not demand big resources to establish a national Australia-US research centre.

**CHAIR**—On page 1 of your second exhibit, you state:

But were a conflict to occur across the Taiwan Straits, Australia could not avoid supporting the US militarily—if we did, it would challenge the very fabric of the alliance.

Do recent changes in the strategic circumstances warrant changes in the operation of the ANZUS alliance?

**Prof. Dibb**—No, I do not think so. I think that once you tamper with the ANZUS alliance and try to change it, that would mark the end of it. I find it hard to imagine, even with this American administration and this congress, that we could get through a redrafting of the alliance, which talks about how an attack on the armed forces and territories in the Pacific area shall be, you know, an issue for immediate consultation—that obviously includes Taiwan. If I could, I will just spend a few minutes on Taiwan. What I am arguing there is not that, as indeed I think the government and our foreign minister would argue, it would depend on the circumstances of the day and we would always let our own national interests come into play with regard to the very serious issue of joining even a limited American war across the Taiwan Straits with China—a China which, again, according to Foreign Affairs, by the end of this decade, six years away, will be our largest trading partner and, increasingly, a crucial importer of our resources, natural gas, iron ore and so on. But I am arguing that the issue is what the expectations of the United States are.

It is well known in public, and it has been cited in the media, that Richard Armitage, the Deputy Secretary of State, has said—and I was there when he said it in semi-public: ‘We would expect you Australians to bleed for us in the event of such a war.’ There is a certain amount of theatre about that, of course, but, if you look at it objectively, in the event of a war across the Taiwan Straits, which other American ally or friend would contribute combat forces? It is easy to say which countries demonstrably would not. Let us name them—we are talking about combat forces: Japan would not, South Korea would not, no ASEAN country would and India or Pakistan certainly would not. I find it hard to imagine that any European country would, with the possible exception of my forebears who like a war anywhere in the world, but even they, as a nation of shopkeepers, might draw the line at the other side of the world and their trade, investment and diplomatic relations. We would be left on our tod, and that would have crucial political importance to the United States, out of all dimensions to what modest forces we might contribute, if we said no. That is my point.

**CHAIR**—On the question of adaptability and interoperability of Australia's force structure and its capability for coalition operations, is interoperability with the US our prime objective and what measures are we taking to achieve this interoperability? Is there any conflict between seeking interoperability with the US and seeking interoperability with our regional neighbours?

**Prof. Dobb**—More importantly, if I might say so, isn't the first priority for Australia interoperability amongst our own Armed Forces?

**CHAIR**—Yes.

**Prof. Dobb**—I would like to come back to that in a minute, if I may with your indulgence. At a conference at the War Memorial in May last year that the minister presided over, along with the CDF and the Secretary of Defence, the minister made it very clear when we were talking about this concept of network centric warfare—the modern way of going to war—that the first priority was interoperability amongst our own forces, the second priority was interoperability with the United States and the third priority was interoperability within our region. I entirely agree with that. My issue is whether we are drifting away from those priorities. For instance, is there now a certain amount of recidivism amongst the three single service chiefs who are going back to their territorial separateness? My answer is yes. Did we see in the Iraq war our Army operating separately from Navy and Air Force and largely subordinate to American operations? The answer is yes. Did we see our Air Force operating largely separately from our own Navy and Army and operating with the Americans? The answer is yes. I think it is for the first time since the Vietnam War that we are starting to move away from jointness as our first priority and towards interoperability with the United States as our first priority. There is a slight exaggeration in what I have just said, but not much. I invite you to have a look at it.

I might remind you that it was the Fraser government's white paper in 1976 that said very clearly that, in future, Australia's Defence Force would be structured not as a separate Navy, Army and Air Force, subordinate to our allies, but as a joint force. My concern is that, in the eighties and nineties, we had one of the most joint forces in the world—certainly, in the Western world—and, in the name of interoperability with the United States, we are drifting away from that. Of course we have to be interoperable with the United States, but we must take great care. I always say that interoperability with the United States has to be scaled and affordable for Australia.

That magic mantra, 'scaled and affordable', should be chiselled in letters of gold over every defence minister's door, because it does not follow that you can simply translate our forces into interoperability with the United States at any price. For instance, a very senior British Ministry of Defence official told me a couple of years ago that the British were having difficulty keeping up and being interoperable with the Americans in the area of communications bandwidth. If the Poms are having that problem, with a defence force that is much bigger than ours, and spending a lot more on defence, how much more difficult is it for us? Of course we have to be interoperable, but we have to be very focused on what we do in terms of affordability.

**CHAIR**—How do countries in the Asia-Pacific region view Australia's dialogue with the US on missile defence?

**Prof. Dibb**—I think it varies a great deal depending on how much they have focused on it and, frankly, depending on how much they understand it. I was in Japan in January and I found in my discussions with the foreign ministry and the Japanese defence agency a very keen interest in and understanding of where America is going on national missile defence, and a great deal of interest in our posture in that regard. I also found a very strong Japanese stance that, irrespective of what other regional countries might think, Japan will go ahead on national missile defence, because they feel so vulnerable. Indeed, as you know, they are vulnerable; they are probably the most vulnerable country in the world to a nuclear strike.

I think China has a different attitude. I have noticed that, whenever people in our media, or our politicians, say that national missile defence is no threat to China, within 24 hours the Chinese Embassy here issues a contradictory statement. You would have noticed that quite recently. You would have seen from time to time in South-East Asia that our Indonesian friends are critical of our interest in national missile defence. As if a missile defence shield would in any way be threatening to Indonesia! To my certain knowledge, Indonesia does not have any ballistic missile capability, and if they did we would sure as hell know about it. So there is no one answer to your question. I think a lot of the reaction we see in South-East Asia—and it is not a big reaction—is not well thought through.

**Mr PRICE**—Maybe it is not well explained by Australia.

**Prof. Dibb**—I think that is a good point.

**Mr PRICE**—There is a suggestion that we should redefine our defence priorities to ‘Australia and its interests’. That seems to indicate that we should almost be prepared to go anywhere globally with our American partners. The way I would put it is that the defence of Australia should be a priority over littoral manoeuvres, but whatever we have can be adapted either for the alliance or for the endeavours of good world citizens. I am wondering whether you would like to comment on that. Did defence of Australia preclude operations in the littoral, or is a more reasonable explanation that the priorities were in the air-sea gap and defence of Australia and that manoeuvring in the littoral was a lesser priority and did not get funded by successive administrations as it ideally would have been with a larger budget? I seem to have given you too many questions, I apologise.

**Prof. Dibb**—That sounds like a dorothy dixer to me.

**Mr PRICE**—It is interesting getting you to put your views on the record.

**Prof. Dibb**—As you know, there has been an intense debate in the last 18 months, and certain people have won and certain people—no names, no pack drill—have lost. I draw your attention to a statement made by Senator Hill in November last year when he was releasing the results of the defence capability review. He said that the defence of Australia and our regional requirements would remain the primary force structure drivers of the Australian Defence Force. The score is 40-love, if you know what I mean.

**Mr PRICE**—I do.

**Prof. Dobb**—I think he was absolutely correct. That is the view of the Prime Minister of this country—the defence of Australia and our regional requirements will remain the primary force structure drivers. There has been a debate in the history of this country from the time of the first colony about expeditionary forces and the defence of Australia. As a former foreign minister used to say, you can walk and chew gum at the same time if you do it carefully. We always have to recognise that there are limits to Australia's defence capacity and influence. Those are not my words; they are the words of Sir Arthur Tange, one of our most famous and greatest Australian mandarins. There are limits to Australia's defence capacity and influence.

When we went into Iraq this time last year, the Brits, with three times our population, deployed 20 times as many troops. There are limits to what we can do because of scale. Distance poses enormous strains on our defence force. People talk about the sea-air gap and the littoral. To me, the defence of Australia and what I call the arc of instability—which you are all familiar with—is one defence planning construct. It was in the 1976 white paper, and the classified version of the infamous Dobb report certainly looked at key contingencies in the archipelago. Given the vast geographical distance that that involves, it will always give the government of the day options for operations much further afield—if you like the phrase, expeditionary operations.

I stress the great distances, because I have just come back from Europe. One of my favourite trick questions in Europe is: which is the longest distance—London to Moscow or Sydney to Darwin? Chair, I think you know what the answer is—Sydney to Darwin. That imposes great flexibility and reach on our limited defence force, and it enables us to do what Senator Hill has acknowledged. We cannot restructure as an expeditionary force, as much as some in our Army would like, because that would, within a limited budget, strip away the high technology Air Force and Navy that we need for when push comes to shove.

But, as Senator Hill acknowledges, that capability over the defence of Australia and our regional requirements—to quote the Prime Minister—gives us niche capabilities. That is what we sent to Afghanistan, to Iraq, and, before that, to the first Gulf War and Somalia. I think that is sufficient and credible for a nation of our size. In that sense, despite all the vigorous debate we have had in the last year and a half, I am about satisfied with the spending priorities. In what ways does the defence capability review differ from the December 2000 Howard government white paper and in what way does that differ dramatically from the 1987 white paper? The answer is: there is no dramatic change.

The high investment priorities—the throw weight, if you like—are put into the Air Force. The joint strike fighters are going to cost us up to \$15 billion. They are also put into our Navy. The air warfare destroyers will cost us \$6 billion and the submarines will eternally cost us a lot of money to keep at the front line. The Army will be getting more, some of which is good: troop lift helicopters, night vision devices, anti-armour devices, greater amphibious transport capability for up to a battalion and, in addition, the highly questionable and irrelevant purchase of the Abrams tanks.

**CHAIR**—Given that explanation to my colleague's question, I will go back to my question. On page 1 of your second submission, you note that:

... were a conflict to occur across the Taiwan Straits, Australia could not avoid supporting the US militarily—if we did, it would challenge the very fabric of the alliance.

Doesn't that put us in conflict with the defence of Australia—

**Prof. Dobb**—No.

**CHAIR**—because we wanted to support the ANZUS alliance, and to do otherwise would damage that alliance?

**Prof. Dobb**—I do not think so. It is an observation of Realpolitik that, for all the reasons I mentioned, we could not say no and we would have a capability. It would not be putting armoured divisions into Taiwan, and, by the way, it would not be even putting them into the Korean peninsula any more. It most likely would be deploying things like F111s, FA18s and Collins class submarines, designed primarily for our own territorial interests. I acknowledge that it would put great strain on the popular perception of whether the defence of Australia comes first, but we have done that through successive governments since the end of the Second World War in Korea, the Vietnam confrontation, the Malayan emergency, Somalia—where we deployed 1,200 troops, let me remind you—and the first Gulf War. I think there is much more continuity than our politicians of either persuasion would care to admit, and it should be that way. I am a great believer in the bipartisanship of both defence policy and the alliance. If we become partisan and have a rift in either or both of those issues, I think it will put Australia's national interests in peril.

Resolved (on motion by **Mr Price**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

*Evidence was then taken in camera—*

**Subcommittee adjourned at 3.47 p.m.**