

# **Defence Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade**

## **Bipartisan Defence Agreement**

October 2017

## **EXECUTIVE SUMMARY**

Australia's strategic and defence planning has historically been defined by several different, yet interconnected factors, namely: the benevolence and continuing stability of its primary strategic partner, the geographic isolation of the continent, highlighted by the 'tyranny of distance' and increasingly, the geo-political, economic and strategic ambition and capabilities of our Indo-Pacific Asian neighbours.

As the international power paradigm has evolved throughout history, so too have Australia's strategic priorities. From the defeat of Imperial Japan in the Pacific, through to the nation's active involvement to stop the spread of Communism throughout Southeast Asia and more recently the nation's engagement in response to Islamic extremism spreading in Southeast Asia, Australia's role and position as a key security stakeholder in the region has transformed.

In fulfilling this diverse role since the end of the Second World War, Australia has proven itself both as an invaluable global partner in the US-led world order and a remarkably flexible nation committed to and invested in the economic and strategic stability of Indo-Pacific Asia.

Today however, this international order upon which Australia has established its economic prosperity and strategic security has shifted dramatically with the rise of competition between the United States and China.

Further serving to complicate the regional power paradigm is the slow reemergence of Japan, combined with the rise of developing powers including India, Indonesia, Vietnam, Pakistan and Thailand.

However, traditional state-based competitors are not the only factors serving to dramatically challenge the long-term economic and strategic security of Australia. This is particularly relevant given the increasing prevalence of non-traditional, asymmetric threats including extremist groups such as Jemaah Islamiyah, Abu Sayyaf and Islamic State's affiliates and finally, transnational criminal organisations operating throughout the region.

As each of these individually complex factors continue to develop as long-term threats to Australia's continuing economic and strategic interests throughout the region, the nation's political and strategic policy makers must dramatically alter the way Australia plans, finances and arms its strategic capabilities in the twenty-first century.

This submission, will isolate the distinct policy, structural and organizational challenges facing the nation's strategic and political policy makers and present a comprehensive series of recommendations to establish a robust policy, doctrine and force structure to enhance additional recommendations to ensure the long-term sustainability for industry development and capability in response to Indo-Pacific Asia's new strategic calculus.

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## 1. INTRODUCTION

Since Federation Australia's strategic policy, doctrine and corresponding defence industry development policy has been shaped by two significant contributing factors.

The primary external factor responsible for shaping the nation's response to the complex and broad range of strategic capabilities required is the constantly evolving nature of the geo-political and strategic environment of Indo-Pacific Asia as it continues to solidify itself as the centre of the global power paradigm.

As emerging superpowers like China and India continue to develop as the economic, political and strategic powers at the core of Indo-Pacific Asia. Australia has witnessed the development of the region's periphery powers including Indonesia, Vietnam, Thailand and the Philippines each with competing priorities and objectives which is serving to challenge the established geo-political, economic and strategic security and prosperity of the region.

The rise of these nations and their competing individual geo-political, strategic and economic competition over resources, historic territorial claims and national prestige are all serving to change Australia's position and plans for the new strategic paradigm.

Meanwhile, Australia's increasingly chaotic, partisan political process has served to dramatically impact the nation's ability to respond to this rapidly evolving geo-political, economic and strategic realities transforming Indo-Pacific Asia.

This is particularly the case as both of Australia's major political parties struggle to both individually or collaboratively develop a cohesive doctrine, force structure and as a result, domestic industry capability in response to the rapidly evolving strategic and geo-political environment which will determine the nation's continuing economic, political and strategic security and prosperity.

In response, it is critical that Australia's political decision makers recognize the strategic, political and economic realities of Indo-Pacific Asia and the corresponding complex traditional and asymmetric challenges to national security to develop for the first time a comprehensive doctrine, force structure and industry development policy.

The first component of this submission will draw on international examples of bipartisan, coordinated defence and strategic planning and the corresponding certainty for industry development, certainty because of a cohesive doctrine, force structure and capability requirements.

The second component of this submission will outline the key regional and wider global factors and present a comprehensive doctrine and force structure in response to the rapidly evolving regional strategic environment.

Finally, the third component of this submission will embrace the comprehensive doctrine and force structure outlined in the second component, to form the basis of

recommendations for a complete industry policy which supports the development of a domestic industry supporting the growth of prime, secondary and tertiary defence industry suppliers across Australia.

### 1.1. AMERICAN DEFENCE AND STRATEGIC PLANNING POLICY

America emerged from the Second World War as the world's preeminent economic, political and military power replacing the British Empire responsible for maintaining the post-war peace, security and economic order in the face of emerging Soviet aggression.

As the Cold War progressed and the division between East and West became more defined and the very real possibility of both conventional and nuclear conflict across the globe became more apparent US strategic and political decision makers began the process of enhancing America's strategic and defence doctrine of a two "major theatre war" or two "major regional conflict" (MRC) now "major theater war"<sup>1</sup> (MTW) first established in the late 19<sup>th</sup> century<sup>2</sup>.

This strategic doctrine was further enhanced and developed into the 1930's as successive US strategic and political decision makers saw the rise of Imperial Japan in Northwest Asia, the relative decline of the British Empire after the First World War and the seemingly unstoppable march of Nazism in Europe as major threats to the economic, political and strategic interests of the United States around the world.

Concurrent major engagements in both Europe and the Pacific highlighted both the need and capability of the United States to decisively engage in two major theatre contingencies. Wartime General and Republican President Eisenhower would maintain and enhance the doctrine to include nuclear weapons as the US responded to direct and proxy Soviet aggression throughout Europe and Asia:

*"The fundamental strategic problem of the era was deterring central conflict between the two superpowers and their alliances, while still dealing with regional conflicts against Soviet forces or regional proxies<sup>3</sup>."*

As the US began to face increased competition with the Soviet Union, Communist China, North Korea and Vietnam, the democratic Kennedy and Johnson administrations sought to enhance this US doctrine:

*"The United States formulated the two-and-a-half war sizing construct. One conflict would be in Europe, the decisive theater in the East-West standoff. A second would be in the Far East and could involve China or North Korea. The 'half war' was a major counterinsurgency operation against a Soviet proxy<sup>4</sup>."*

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<sup>1</sup> Global Security, 'Major Theater War', <https://www.globalsecurity.org/military/ops/mtw.htm>, accessed 18/09/2017.

<sup>2</sup> Daniel Goure PhD, 'The Measure of a Superpower: A Two Major Regional Contingency Military for the 21<sup>st</sup> Century', [http://thf\\_media.s3.amazonaws.com/2013/pdf/SR128.pdf](http://thf_media.s3.amazonaws.com/2013/pdf/SR128.pdf), 12/01/2013, pg. 7.

<sup>3</sup> Daniel Goure PhD, 'The Measure of a Superpower: A Two Major Regional Contingency Military for the 21<sup>st</sup> Century', [http://thf\\_media.s3.amazonaws.com/2013/pdf/SR128.pdf](http://thf_media.s3.amazonaws.com/2013/pdf/SR128.pdf), 12/01/2013, pg. 8.

<sup>4</sup> Daniel Goure PhD, 'The Measure of a Superpower: A Two Major Regional Contingency Military for the 21<sup>st</sup> Century', [http://thf\\_media.s3.amazonaws.com/2013/pdf/SR128.pdf](http://thf_media.s3.amazonaws.com/2013/pdf/SR128.pdf), 12/01/2013, pg. 8.

As the Cold War progressed and the global geo-political and strategic environment evolved, particularly because of the Sino-Soviet split in the 1970's, America's Republican President Nixon and his Democratic successors began to scale-back the nation's strategic policy to embrace a '*one-and-a-half war*' force structure.

However, as the Soviet Union began to modernize and enhance its conventional and nuclear capabilities throughout the 1970's America's position as the preeminent Western military power was placed in jeopardy. In response, the Republican Reagan Administration began revive America's defence industry and wider strategic capability:

*"The Reagan Administration found it advisable to resurrect something akin to the old two-simultaneous-war standard. The Reagan Doctrine envisioned countering aggression by the Soviet Union or its proxies anywhere in the world<sup>5</sup>."*

As the Soviet Union collapsed and the United States emerged as the sole global superpower, American political and strategic decision makers faced a world with no credible counter balance to US supremacy and forced a major rethink of American strategic capability doctrine and corresponding engagement with the international community in the post-Cold War world.

It became apparent following the first Gulf War that smaller, regional conflicts would come to dominate the 1990's and the United States as the world leader would have to play an active role within these contingencies, separate from the traditional concept of East-West competition and potential conflict.

In response, the US Department of Defence established a force structure and sizing doctrine termed '*Base Force*' which embraced the lessons learned following the scaling down of post-conflict operations since the Second World War and calibrated US force structure and capabilities to account contingencies in the style of Operations Desert Shield and Desert Storm.

This shift saw the two MRC force structure metric evolve throughout the course of the 1990's as the United States maintained its position as the world's preeminent military power, capable of projecting force and influence throughout the globe in response to any number of possible contingencies.

As part of this restructuring period, the terminology surrounding MRC was redefined to more adequately meet the expected operational requirements of the lower intensity, regional conflicts expected, while also accounting for any renewal in traditional state based adversaries.

The Clinton Administration's 'bottom-up-review' of America's strategic capabilities scaled back the nation's abilities more in line with the capabilities of Nixon's strategic

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<sup>5</sup> Daniel Goure PhD, '*The Measure of a Superpower: A Two Major Regional Contingency Military for the 21<sup>st</sup> Century*', [http://thf\\_media.s3.amazonaws.com/2013/pdf/SR128.pdf](http://thf_media.s3.amazonaws.com/2013/pdf/SR128.pdf), 12/01/2013, pg. 8.

reforms following the end of the Vietnam conflict, with the United States taking advantage of the 'peace dividend' following the collapse of the Soviet Union and developing a 'building block' force<sup>6</sup>:

*"A force consisting of four-to-five Army divisions, four-to-five Marine Expeditionary Brigades (MEBs), 10 fighter wings, 100 heavy bombers, four-to-five carrier battle groups, and special operations forces<sup>7</sup>."*

While Clinton's review actively endorsed the principle of maintaining a force capable of decisively winning two MRC/MTWs, the force structure described effectively established a force capable of only fighting and winning a single MRC/MTW.

The Quadrennial Defence Review in 1997 sought to address these force reductions and highlighted the need for a sustained, stable two MRC/MTW capable force across the spectrum of expected operations against peer, near-peer and asymmetric threats in accordance with the strategic paradigm.

These reviews and force reductions provided the American Defence Industrial Base the opportunity to capitalize upon large modernization and capability development budgets for each of the various branches of America's military as the United States saw to effectively balance the capabilities needed to maintain superiority over peer or near-peer competitors, whilst also being capable of engaging in smaller contingencies in a timely and cost-effective manner when defending the nation and her interests abroad:

*"These investments [capability modernization] were intended to significantly improve the DOD's portfolio of capabilities to address a range of missions, including but not limited to conventional campaigns against regional adversaries armed with advanced weapons systems<sup>8</sup>."*

Finally, both the Bush and Obama administrations of the early 2000's and 2010's were faced by a number of factors impacting America's strategic and defence capabilities, conflicts in Afghanistan and Iraq, mounting government debt and corresponding tightening defence budgets and finally the resurgence of Russia, the emerging peer-to-near peer competitor in China and rogue nations including North Korea and Iran.

In the face of these challenges, America's political and strategic decision makers needed to balance the nation's capabilities against ongoing regional contingencies, with the emerging peer competitor threats. This resulted in the 2010 Quadrennial Defence Review, which argued for a force structure *"that could be described as a two MRCs plus<sup>9</sup>."*

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<sup>6</sup> Global Security, 'Major Theater War', <https://www.globalsecurity.org/military/ops/mtw.htm>, 18/09/2017.

<sup>7</sup> Daniel Goure PhD, 'The Measure of a Superpower: A Two Major Regional Contingency Military for the 21<sup>st</sup> Century', [http://thf\\_media.s3.amazonaws.com/2013/pdf/SR128.pdf](http://thf_media.s3.amazonaws.com/2013/pdf/SR128.pdf), 12/01/2013, pg. 9.

<sup>8</sup> Daniel Goure PhD, 'The Measure of a Superpower: A Two Major Regional Contingency Military for the 21<sup>st</sup> Century', [http://thf\\_media.s3.amazonaws.com/2013/pdf/SR128.pdf](http://thf_media.s3.amazonaws.com/2013/pdf/SR128.pdf), 12/01/2013, pp. 15-16.

<sup>9</sup> Daniel Goure PhD, 'The Measure of a Superpower: A Two Major Regional Contingency Military for the 21<sup>st</sup> Century', [http://thf\\_media.s3.amazonaws.com/2013/pdf/SR128.pdf](http://thf_media.s3.amazonaws.com/2013/pdf/SR128.pdf), 12/01/2013, pg.17.

As both administrations and the global strategic environment have evolved over the past sixty years, America's strategic policy and defence doctrine has remained relatively stable and been largely supported by the typically partisan political system as a result of the role the American defence industry plays in the political dynamics of the United States.

Successive Republican and Democratic administrations have understood the important role the United States plays in the world and the prominent role and have accordingly maintained minimum force structure, doctrine and key capabilities providing the United States with the ability to meet its international obligations.

However, successive US administrations and strategic decision makers have recognized that there needs to be a clear understanding and financially viable, capable and standardized force structure as the nature of existing and possible opponents and their capabilities evolve in response to US capabilities.

This is particularly the case as the US defence industry has been called upon to respond to both real and imagined threats from Russia, China and various rogue states which pose a threat to the United States, her allies and interests around the world.

Mobilising America's defence industry in response to both high end and low end capabilities, from new Soviet/Russian fighter aircraft in the MiG-25, MiG-23 and later the Su-27 and its variants which resulted in the F-15 Eagle<sup>10</sup> and later the F-22 Raptor and F-35 Lightning II, the Chinese J-20 stealth fighter and recent developments in the areas of Area Access Denial Systems in the DF-21 'Carrier Killer'<sup>11</sup>, ballistic missile which has resulted in renewed focus upon developing American ballistic missile defence systems across the Navy's fleet of Aegis warships<sup>12</sup> and resulted in the development of the troubled DDG-1000, Zumwalt Class stealth Guided Missile Destroyers<sup>13</sup>.

In the face of these national and international developments, American political and strategic decision makers have recognized that *"A 21<sup>st</sup>-century, two MRC/MTW standard will have some different characteristics than those in the past<sup>14</sup>"* and have correspondingly pushed for continued investment in a series of modernization and key capability development programs supported by America's broad defence industry base, despite repeated attempts at sequestration:

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<sup>10</sup> Steve Davis, Doug Dildy, 'F-15 Eagle Engaged: The world's most successful jet fighter', 23/10/2007, pg.12.

<sup>11</sup> Office of the Secretary of Defence, 'Military Power of the People's Republic of China 2008', [http://www.mcsstw.org/www/download/China\\_Military\\_Power\\_Report\\_2008.pdf](http://www.mcsstw.org/www/download/China_Military_Power_Report_2008.pdf), accessed 17/09/2017, pp. 2-3, 22-24, 56.

<sup>12</sup> Dave Majumdar, 'How the US Navy is trying to make China's 'Carrier-Killer' Missiles Obsolete', <http://nationalinterest.org/blog/the-buzz/how-the-us-navy-trying-make-chinas-carrier-killer-missiles-18766>, 16/12/2016, accessed 18/09/2017.

<sup>13</sup> House of Representatives Armed Services Committee, 'National Defence Authorization Act for Fiscal Year 2007', <https://www.congress.gov/bill/109th-congress/house-bill/5122>, accessed 18/09/2017, pp. 69-70.

<sup>14</sup> Daniel Goure PhD, 'The Measure of a Superpower: A Two Major Regional Contingency Military for the 21<sup>st</sup> Century', [http://thf\\_media.s3.amazonaws.com/2013/pdf/SR128.pdf](http://thf_media.s3.amazonaws.com/2013/pdf/SR128.pdf), 12/01/2013, accessed 18/09/2017, pg.30.



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- *An Army of approximately 600,000 in the Active Component with 10 divisions/45 brigades and a Reserve Component of eight divisions/28 brigades, each with three maneuver battalions.*
- *A Marine Corps of 202,000 with the capacity to deploy two full Marine Expeditionary Forces.*
- *A Navy of 350 ships, including 11 aircraft carriers with 10 air wings, approximately 120 surface combatants with at least one-third BMD (ballistic missile defence) capable, 38 amphibious warfare ships, 55 SSNs, and 75 support and logistics ships.*
- *An Air Force built around 20 tactical fighter wings consisting of a mix of F-22, F-35, and F-15 fighters; 200 bombers consisting of B-1Bs, B-2s, B-52s, and a new platform (B-21); 400-500 tankers; 250 airlifters; 150-200 advanced stealth ISR platforms; and approximately 75 manned C2 and ISR platforms.*
- *An expanded suite of ballistic missile defences including 20 Patriot and 10 THAAD battalions and acquisition of sufficient Standard Missile 3s (SM-3) to fully load every Aegis BMD-capable ship.*
- *Expanded war stocks sufficient to support the initial phase of both MRC/MTWs<sup>15</sup>.”*

The history of the largely bipartisan supported two MRC/MTW policy provides America’s strategic and political decision makers with a clear, concise understanding of the nation’s capabilities while also providing a degree of policy and doctrinal certainty.

This relative policy and doctrinal certainty provides increased direction and clear understanding of the operational and industry capability demands of America’s military, accordingly, America’s defence industry base, across the spectrum of the nation’s primary, secondary and tertiary suppliers have a sustained project pipeline to maintain and enhance the skilled work force, promote industry innovation and long-term national economic outcomes.

## **1.2. CANADIAN DEFENCE AND STRATEGIC PLANNING POLICY**

Much like its colonial cousin, Australia, Canada’s historic defence and strategic planning policy has been defined by the geographic isolation of the country, its enduring strategic relationships with global security benefactors like the British and French Empires and the United States and unlike Australia, direct integration and involvement with international alliance frameworks such as NATO.

*“Canadians faced the paradox of being at once invulnerable and indefensible. Distance and the Royal Navy safeguarded both ocean frontiers from all but occasional raids<sup>16</sup>.”*

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<sup>15</sup> Center for Strategic and International Studies, “U.S. Force Posture Strategy in the Asia Pacific Region: An Independent Assessment”, [http://csis.org/files/publication/120814\\_FINAL\\_PACOM\\_optimized.pdf](http://csis.org/files/publication/120814_FINAL_PACOM_optimized.pdf), accessed 15/08/2012, pp. 79-80.

<sup>16</sup> Desmond Morton, ‘Canadian Defence Policy’, <http://www.thecanadianencyclopedia.ca/en/article/defence-policy/>, 01/10/10, accessed 19/09/2017.

While Canada's involvement in the First World War as part of the wider Commonwealth supporting Britain's war would serve to slightly shake the nation's approach strategic policy making, it wasn't until World War Two and the increasing capabilities of both the German and Japanese militaries did Canada finally recognize the importance of a sovereign defence posture.

Despite this, Canada's strategic and political decision makers, much like those of Australia continued to view the nation as Canadian Senator Raoul Dandurand described "*a fireproof house, far from the sources of conflagration*"<sup>17</sup>.

Canada's active engagement in the European theatre of the Second World War and post-war occupation NATO obligations in allied occupied Germany<sup>18</sup> in conjunction with the increasing competition with the Soviet Union in Europe served to reshape the nation's defence and strategic planning policy and as a result its domestic industry capability.

The emergence of the United States as the premier global economic and military power and its own strategic rivalry with the Soviet Union placed the Canadian homeland at risk of destruction for the first time in the nation's history.

Canada's strategic position wedged between the Soviet Union and United States placed the nation at the very epicentre of North America's continental defence and placed its sovereignty and security at risk, as both of the nuclear armed superpowers jockeyed for a successful first strike capability.

This precarious position resulted in a joint US-Canadian policy for collective defence of North America, culminating in the *North American Air Defence (NORAD)* agreement in 1957/58<sup>19</sup> which along with a wider continuation of the alliance with United States would form the basis for the nation's defence and security posture.

However, unlike the United States throughout this period and as a reflection of Canada's position as a global 'middle power', the nation went through several cyclical periods of defence buildup and scaling back directly impacted by the Government at the time:

*"Armed Forces strength, which had dropped from 120,000 to 100,000 in the Pearson (Liberal) years, was slashed by the Trudeau (Liberal) government to 78,000 men and women in the regular forces and less than 20,000 in the reserves. Reequipment programs languished until the late 1970's when pressure from Washington and NATO allies forced the government to buy new fighter aircraft - the CF-18 Hornet – and long-range patrol aircraft.*

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<sup>17</sup> Desmond Morton, 'Canadian Defence Policy', <http://www.thecanadianencyclopedia.ca/en/article/defence-policy/>, 01/10/10, accessed 19/09/2017.

<sup>18</sup> Norman Hillmer, 'NATO: When Canada Really Mattered', <http://www.thecanadianencyclopedia.com/en/article/nato-when-canada-really-mattered-feature/>, 19/09/2017.

<sup>19</sup> United States Department of State, 'North American Air Defence (NORAD) Agreement', <https://www.state.gov/documents/organization/69727.pdf>, accessed 19/09/2017.

*By 1984, many Canadians were embarrassed by the weakness and obsolescence of their defences...The Mulroney (Conservative) government pledged expansion and modernization, partly to restore national pride, partly to reassure the Ragan administration<sup>20</sup>.”*

This shift between the Conservative and Liberal Canadian governments highlighted the inability of nation's defence and strategic policy to identify key priorities beyond contributions to the US-Canadian and broader NATO alliance in the face of renewed Soviet aggression during the 1980's.

This was further complicated following the collapse of the Soviet Union and the end of the Cold War in the early 1990's, the radical redrawing of the international balance of power and the increasing prevalence of smaller, regional conflicts such as the first Gulf War again served to reshape Canada's role in the world and accordingly, it's defence and strategic policy priorities.

In spite of the new global power paradigm and the seeming shift away from traditional state vs state conflict, consensus was reached between the Liberal and Conservative parties as capability modernization became a priority, at least on paper:

*“The emphasis of Liberal and Conservative governments on modernizing the navy and air force was reflected in the small contingent sent by Canada to the Gulf War, 1990-91- three ships and a squadron of CF-18s which saw service without significant incident or casualty. However, the chaotic post-Cold War world suggested that Canada's busiest service would be its shrunken, ill-equipped army<sup>21</sup>.”*

As the 1990's progressed and global peace keeping and humanitarian interventions became the operational norm, Canada's strategic and defence policy makers became driven by government deficit reduction which translated to a significant reduction in defence expenditure, capability and wider impacts upon the nation's operational capabilities.

The September 11 attacks and the rise of global terrorism and related asymmetric threats however served to dramatically shake Canada's policy makers as once again, external factors dictated the future strategic direction of the nation.

Active, yet somewhat limited Canadian participation in the US-led operations in Afghanistan and a more substantial commitment to the Iraq conflict served to highlight the decades of policy inadequacy, limitations of force structure and equipment as the nation responded to calls from both the United States and its wider NATO allies.

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<sup>20</sup> Desmond Morton, 'Canadian Defence Policy', <http://www.thecanadianencyclopedia.ca/en/article/defence-policy/>, 01/10/10, accessed 19/09/2017.

<sup>21</sup> Desmond Morton, 'Canadian Defence Policy', <http://www.thecanadianencyclopedia.ca/en/article/defence-policy/>, 01/10/10, accessed 19/09/2017.

Despite this, Canada's conservative Harper government committed in 2011 to withdrawing Canada from the quagmire that was the Afghanistan mission and placed the nation's position within NATO, the US-Canada alliance and the wider world at a precipice and posed important questions about the future of the nation's future direction when it came to strategic and defence policy:

*“Did Harper remember the price Canada had paid in international trade and political esteem when Trudeau had slashed Canada's commitment to NATO? Did Canadians? Canada's security, from earliest times, has depended on powerful allies, whether it was France or Britain in earlier centuries, or the United States since Ogdensburg in 1940. Abandoning allies in Afghanistan would exact a cost few Canadians were measuring as they prepared to welcome home their troops<sup>22</sup>.”*

However, as with the preceding decades, the international power paradigm shifted, while smaller regional counter-insurgency, peace keeping and humanitarian operations would continue to play a part in Canada's strategic calculus, the renewed state-vs-state tensions, particularly in eastern Europe with a resurgent Russia<sup>23</sup> and northwest Asia with an emerging China and increasingly reckless North Korea are serving to dramatically reshape the world.

Again, the eclectic and bipartisan nature of Canada's political decision makers has responded to the contemporary global strategic environment, with the Liberal Trudeau government developing a “*New vision for defence*” which highlights the need to be “***STRONG*** at home, ***SECURE*** in North America, ***ENGAGED*** in the world<sup>24</sup>.”

This new policy aims to rectify the systemic issues within the Ministry for National Defence and the nation's wider, apathetic approach to defence and strategic policy through the provision of a clear conceptual policy direction. This direction considers the nation's unique operational realities, participation in regional and global strategic alliances and desperate need for equipment and doctrine modernization in the face of an increasingly complex global threat environment<sup>25</sup>:

*“Canadians want a military that is agile, highly trained, superbly equipped, capable and professional...The Canadian Armed Forces will grow by 3,500 (to 71,500 total) military personnel...The investments in equipment and material necessary to underwrite Canada's future force will match the significant investment in its personnel.*

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<sup>22</sup> Desmond Morton, ‘Canadian Defence Policy’, <http://www.thecanadianencyclopedia.ca/en/article/defence-policy/>, 01/10/10, accessed 19/09/2017.

<sup>23</sup> Chris Brown, ‘Propaganda and Provocation: Russia scoffs at Canada's Baltic war games: Canada-led NATO battle group goes through first major exercise to test battle-readiness’, <http://www.cbc.ca/news/world/propaganda-and-provocation-russia-scoffs-at-canada-s-baltic-war-games-1.4263213>, 26/08/2017, accessed 19/09/2017.

<sup>24</sup> Department of National Defence, ‘Strong, Secure, Engaged: Canada's Defence Policy’, <http://dgpapp.forces.gc.ca/en/canada-defence-policy/docs/canada-defence-policy-report.pdf>, accessed 19/09/2017, pp. 12-17.

<sup>25</sup> Murray Brewster, ‘More soldiers, ships and planes for military in Liberal defence plan: Long-range plan calls for a boost in spending and a larger contingent of regular and reservist troops’, <http://www.cbc.ca/news/politics/liberal-sajjan-garneau-defence-policy-1.4149473>, 07/06/2017, accessed 19/09/2017.

*The Royal Canadian Navy will acquire 15 Canadian Surface Combatant ships to replace its existing frigates and retired destroyers. This policy now provides the full funding for all 15 ships; this will be one of the largest acquisitions in Canadian shipbuilding history and makes up a core part of the National Shipbuilding Strategy (NSS).*

*The Canadian Army will undergo a recapitalization of much of its land combat capabilities and its aging vehicle fleets while modernizing its command and control systems. Additionally, it will expand its light forces capability which will allow it to be more adaptable in complex operational theatres.*

*The Royal Canadian Air Force will acquire 88 future fighter aircraft to enforce Canada's sovereignty and to meet Canada's NORAD and NATO commitments, while recapitalizing many of its existing aircraft fleets such as the CP-140 Aurora anti-submarine warfare and surveillance aircraft.*

*Finally, the Canadian Special Operations Forces Command will expand its operational capacity and invest in capabilities that enable Canada's rapidly deployable and agile Special Forces to provide their unique skills both at home and abroad. In addition to these key investments, this defence policy identifies a number of capability areas in the Reserve Force, which will also be funded.*

*To meet Canada's defence needs at home and abroad, the Government will grow annual defence spending over the next 10 years from \$17.1 billion in 2016-17 to \$24.6 billion in 2026-27 on an accrual basis. This translates to a rise in annual defence spending on a cash basis from \$18.9 billion in 2016-17 to \$32.7 billion in 2026-27, an increase of over 70 percent<sup>26</sup>."*

Despite these developments and the nation's recommitment to being strong at home through its domestically driven recapitalization and modernization programs, its renewed commitment to its key strategic relationships, particularly in NATO and as part of securing North America<sup>27</sup> and its recognition of the evolving global strategic environment, Canada's policy, unlike that of the relative consistency exemplified by the United States, fails to adequately account for and identify how Canada's armed forces will engage in the new international order.

This partisan political instability as it relates to the sustained, coherent planning of the nation's defence and strategic policy has served to dramatically impact Canada's ability to participate as a reliable international ally, provide effective, efficient and cost-effective defence capabilities and coherent doctrine and policy to support industry in the necessary modernization, expansion and upgrading of military capabilities and provides stark comparison to the Australian experience.

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<sup>26</sup> Department of National Defence, 'Strong, Secure, Engaged: Canada's Defence Policy', <http://dgpapp.forces.gc.ca/en/canada-defence-policy/docs/canada-defence-policy-report.pdf>, accessed 19/09/2017, pp. 33-34, 43.

<sup>27</sup> Department of National Defence, 'The Canada-U.S. Defence Relationship', <http://www.forces.gc.ca/en/news/article.page?doc=the-canada-u-s-defence-relationship/hob7hd8s>, accessed 19/09/2017.

## 2. DEFINING AUSTRALIA'S FUTURE DEFENCE AND STRATEGIC POLICY

Australia's earliest strategic relationship with the British Empire laid the foundation for the future of the nation's defence policy and strategic engagement within both our region and the wider world.

As British power slowly declined following the First World War and in the face of seemingly unstoppable advances of Nazi Germany and more critically for Australia, Imperial Japan's own blitzkrieg through Southeast Asia, culminating in the fall of Singapore in 1941 and corresponding collapse of the 'Singapore Strategy' and British presence in the region<sup>28</sup>. The nation began to embrace not only a new strategic ally in the United States, but also began to lay the groundwork for a more robust, comprehensive national security, defence and strategic policy.

The defeat of the Japanese threat and the rapid shift toward more hostile relations between the Communist East led by the Soviet Union and later China, and Democratic West led by the United States as the Cold War began saw the nation establish itself as a core regional ally, invested in the long-term security, stability and prosperity of Indo-Pacific Asia.

In response, Australia's conservative Liberal Government introduced a policy of 'forward defence' which was characterized by a more assertive, force projection orientated, active policy of engagement with clearly defined and expected capabilities for dealing with our regional neighbours in the defence of Australia's national interests throughout the region.

*"The 'organising principles of the forward defence strategy were more sophisticated than simply 'fighting them up there before we have to fight them down here'. First, the Australian government made a conscious decision that its strategic focus would be on the region. Australia would only commit military forces in Asia—after the Korean War, only in Southeast Asia. Despite British pressure, a commitment to the Middle East–Mediterranean theatre, so familiar from two world wars, was ruled out"<sup>29</sup>.*

Australia's ability to actively assert itself and establish its position as a regional security leader was first exemplified during the Malayan Emergency which began in 1948 and later the Indonesian Confrontation during the mid-1960's<sup>30</sup>.

*Forward Defence* highlighted the nation's capacity to actively and assertively engage with our region in constructive ways which served to ensure the continuing long-term peace, security and prosperity of Australia and her interests under the guise of wider international alliance frameworks, particularly those alliances with both the United States and British Empire.

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<sup>28</sup> Christopher M Bell, *The Singapore Strategy and Deterrence of Japan: Winston Churchill, the Admiralty and the Dispatch of Force Z*, Oxford University Press, pp. 604-611, 623-625, 631-634.

<sup>29</sup> Peter Edwards, 'Two cheers for Forward Defence', <https://www.aspistrategist.org.au/two-cheers-for-forward-defence/>, 29/05/2015, accessed 20/09/2017.

<sup>30</sup> Peter Edwards, 'Two cheers for Forward Defence', <https://www.aspistrategist.org.au/two-cheers-for-forward-defence/>, 29/05/2015, accessed 20/09/2017.

Australia's commitment to its international alliances and wider strategic partnerships resulted in the nation's involvement in the disastrous Vietnam conflict and the corresponding domestic political fallout, combined with the opening of China under the Whitlam and Fraser governments saw the nation transition away from *forward defence* toward a policy which in the 1976 and 1987 Defence White Papers would become known as *Defence of Australia*<sup>31</sup>.

*"In the 1970s, things started getting easier. China seemed less a communist menace and more a promising partner. Indonesia stopped being so threatening and became a mostly responsible neighbour. Above all, surprisingly, the US emerged from failure in Vietnam as the uncontested leader of Asia... The likelihood of a major direct attack on Australia decreased, and we were confident that if any serious threat did develop, the US would come to help.*

*All this emboldened Australia to take responsibility for its own defence. In November 1976, the Fraser government tabled a White Paper that said we should be able to defend the continent without direct combat support from our allies. Self-reliance in the defence of Australia has been the main tenet of our defence policy ever since...*

*But defence against whom? The 1976 White Paper boldly predicted that the powers of Asia – India, China and Japan – would not pose any strategic problems for Australia, and that our defence policy could therefore afford to ignore them... True enough, none of the Asian powers was foolish enough to risk threatening a close American ally. With Asia's main players off the board, we only had to be able to defend ourselves against our immediate neighbours – and Indonesia was the only conceivable adversary.*

*This made self-reliance rather easy. Indonesia had a large army, but weak naval and air forces. Australia's navy and air force were always superior, thanks mainly to Australia's much greater GDP<sup>32</sup>."*

This new policy served as a dramatic departure from *forward defence* and aimed to restructure the Australian Defence Force with a specific focus upon defending mainland Australia and its maritime and air approaches directly by establishing a qualitative edge over potential adversaries, as opposed to assertively engage in the defence of Australia's existing and developing economic, political and strategic interests throughout Indo-Pacific Asia.

As with its contemporary counterparts, the end of the Cold War and the shift in international power paradigm, particularly across the Indo-Pacific Asian arc saw a dramatic shift in Australia's position within the new world order and a dramatic shift in

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<sup>31</sup> Paul Dibb, 'Review of Australia's Defence Capabilities', 1986, Australian Government Publishing Service.

<sup>32</sup> Hugh White, 'A Middling Power: Why Australia's Defence is all at Sea', <https://www.themonthly.com.au/issue/2012/september/1346903463/hugh-white/middling-power>, September 2012, accessed 20/09/2017.

the type of contingencies the nation would be expected to respond to and as a result, the capabilities the nation would require to meet these new challenges.

While the *Defence of Australia* policy aimed to develop self-reliance across the breadth of the nation's national security, strategic and defence apparatus from capability and doctrine to key industrial capabilities<sup>33</sup> the nation, as with its international contemporaries was influenced by external factors, particularly the end of the Cold War and a dramatically altered global balance of power.

However, the 1990's and early 2000's saw the strategic calculus, of both the Indo-Pacific Asian region and wider world evolve. As humanitarian, nation building/rebuilding interventions in East Timor and throughout Oceania<sup>34</sup>, asymmetric threats including transnational criminal organisations, concurrent operations against extremist religious militant groups operating in southeast, northwest Asia and the Middle East combined with the emergence of competing global superpowers: China and India and smaller regional powers<sup>35</sup> took place, each served to stretch the *Defence of Australia* policy and the nation's doctrinal, operational and industrial capabilities to its limits.

This diverse range of possible operations has served to force often knee jerk procurements in response to perceived or recognized capability gaps (e.g. HMAS Choules<sup>36</sup>, or the Boeing F/A-18E/F/G Super Hornets and Growlers to replace the F-111<sup>37</sup>) highlighting the inherently chaotic nature of Australia's defence policy, force structure and procurement response to global and more importantly regional developments and the corresponding impact upon industry capability to meet the operational and material requirements of the nation's armed forces.

As Australia's region becomes inherently more contested as result of the increasing economic, political and strategic ambitions of our neighbours, the nation's approach to defence, strategic and doctrine planning and its correlating impact upon procurement and domestic industry development need a dramatic rethink to provide consistency for the forces, political leaders, nation at large and critically the domestic industry tasked with meeting the requirements of the nation.

## 2.1. KEY REGIONAL STRATEGIC DEVELOPMENTS

### 2.1.a. PEOPLE'S REPUBLIC OF CHINA

China has emerged as one of the key economic, political and strategic powers in Asia and, as it continues to assert its increasing position within both the global and

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<sup>33</sup> Paul Dibb, 'The Self-Reliant Defence of Australia: The History of an Idea of Self Reliant Defence', <http://press-files.anu.edu.au/downloads/press/p68061/mobile/ch01.html>, ANU Press, accessed 20/09/2017.

<sup>34</sup> Conrad Waters, 'Navies in the 21<sup>st</sup> Century: The East Timor Intervention & its consequences', Seaforth Publishing, 30/09/2016, pp. 107-108.

<sup>35</sup> Department of Defence, 'Defence White Paper: 2016', <http://www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf>, pp. 39-46, accessed 20/09/2017.

<sup>36</sup> Australian Associated Press, 'Australia to buy used UK landing ship', <http://www.smh.com.au/breaking-news-national/australia-to-buy-used-uk-landing-ship-20110406-1d3ly.html>, 06/04/2011, accessed 20/09/2017.

<sup>37</sup> David Wroe, 'Defence set to buy Super Hornets over cutting-edge fighter', <http://www.smh.com.au/national/defence-set-to-buy-super-hornets-over-cuttingedge-fighter-20130127-2df02.html>, 28/01/2013, accessed 20/09/2017.



importantly regional power paradigm Australia must recognize the realistic need to effectively counter any attempts to intimidate or undermine the regional, rules based order.

As highlighted in the 2016 Defence White Paper, China has demonstrated a period of both quantitative and qualitative increase to the nation's military capabilities. Exponential increases in the size and capability of the Chinese Army, Navy and Air Force<sup>3839</sup>, combined with increased assertiveness in the South and East China Seas<sup>40</sup> and in the cyber domain necessitate realistic, robust, consistent and comprehensive Australian response beyond what is outlined by both the Government and opposition.

While the chance for high-intensity conflict between China and the established regional security order is limited, the need for such capability is necessary to act as a conventional deterrent in the face of any threat to Australia's economic, political or strategic interests throughout the region.

### **2.1.b. NORTH KOREA**

Recent provocations by the North Asian rogue state have highlighted the strategic vulnerability of the Australian mainland<sup>41</sup> and the diminishing impact that the traditional '*tyranny of distance*' plays in the nation's strategic and defence planning.

The continent's vulnerability to ballistic missiles has been highlighted as a result of North Korea's continued provocations, missile and nuclear weapons tests in recent years. This has resulted in a renewed focus upon the development of a sovereign Australian ballistic missile defence system (which provide immense opportunity for Australia's domestic defence industry) however; the development of a system has met with significant debate<sup>4243</sup>.

As these complex weapons systems, particularly ballistic and tactical cruise missiles become more prominent throughout the region, Australia's defence and strategic planners need to develop a robust, complimentary response to this additional challenge to the nation's threat calculations.

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<sup>38</sup> Department of Defence, '*Defence White Paper: 2016*', <http://www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf>, pp. 39-46, 49-50, 60-61, accessed 20/09/2017.

<sup>39</sup> Office of the Secretary of Defence, '*Military Power of the People's Republic of China 2008*', [http://www.mcsstw.org/www/download/China\\_Military\\_Power\\_Report\\_2008.pdf](http://www.mcsstw.org/www/download/China_Military_Power_Report_2008.pdf), accessed 17/09/2017, pp. 2-3, 22-24, 56.

<sup>40</sup> Council on Foreign Relations, '*Armed Clash in the South China Sea*', <https://www.cfr.org/report/armed-clash-south-china-sea>, 11/04/2012, accessed 20/09/2017.

<sup>41</sup> Sam Roggeveen, '*North Korea's long-range missiles spell trouble for Australia*', <https://www.lowyinstitute.org/the-interpreter/north-korea-s-long-range-missiles-spell-trouble-australia>, 09/03/2017, accessed 20/09/2017.

<sup>42</sup> Stephan Fruehling, '*Missile defence for Australia? Expensive and probably not wise*', <https://www.lowyinstitute.org/the-interpreter/missile-defence-australia-expensive-and-probably-not-wise>, 11/06/2017, accessed 20/09/2017.

<sup>43</sup> Department of Defence, '*Defence White Paper: 2016*', <http://www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf>, pp. 39-46, 49-50, 60-61, 64, accessed 20/09/2017.

### 2.1.c. INDONESIA

As with other developing regional powers, Indonesia is experiencing a period of unprecedented economic growth which, over the coming decades and out to 2035 will transform the nation into a major world economy with unique geo-political, economic and strategic interests which intersect with those of Australia<sup>44</sup>.

Indonesia's military has as a result experienced a period of modernization and capability refinement, with extensive increases in the procurement of advanced weapons systems (including Russian Su-35 fighter aircraft, Russian Kilo Class submarines<sup>45</sup> and German Leopard 2 Main Battle Tanks<sup>46</sup>) and a sustained focus upon capability refinement in the face of the nation's own competing territorial and strategic interests with other nations throughout Southeast Asia, particularly China, Vietnam and the Philippines<sup>47</sup>.

As with China, while the potential for high-intensity conflict between Australia and Indonesia remains low, increased investment in key defence capabilities, dramatically shifting doctrine and external regional threats all represent significant challenges to Australia's ability to maintain both a qualitative and quantitative edge over the capabilities of its nearest and arguable most important strategic Asian neighbour.

Accordingly, it is appropriate that Australia respond with the development of a robust, flexible capability is necessary to act as a conventional deterrent in the face of any threat to Australia's economic, political or strategic interests throughout the region.

### 2.1.d. ASYMMETRIC AND NON-STATE ACTORS

The rise of radical militant groups throughout the Indo-Pacific Asian and Middle East has been the primary focus for many nations, including Australia over the past decade and a half.

Australia's involvement in both Afghanistan and Iraq as part of its wider international alliance commitments following the September 11 and Bali bombings has highlighted the need for a robust and flexible Australian response to the growing threat of asymmetric, non-state actors.

Southeast Asia, particularly the Philippines and Indonesia serve as hotbeds for violent extremism, particularly ISIS/Deash affiliates and Al-Qaeda affiliates including

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<sup>44</sup> Department of Defence, 'Defence White Paper: 2016', <http://www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf>, pp. 39-46, 49-50, 59, 60-61, accessed 20/09/2017.

<sup>45</sup> Liza Yosephine, 'Russia remains tight-lipped on Indonesia's weapons deal', <http://www.thejakartapost.com/news/2017/02/27/russia-remains-tight-lipped-on-indonesias-weapons-deal.html>, 27/02/2017, accessed 20/09/2017.

<sup>46</sup> Franz-Stefan Gady, 'Indonesia Receives First Batch of New German-made Main Battle Tanks', <http://thediplomat.com/2016/05/indonesia-receives-first-batch-of-new-german-made-main-battle-tanks/>, 24/05/2016, accessed 20/09/2017.

<sup>47</sup> Benjamin Schreer, 'Moving beyond ambitions? Indonesia's military modernisation', [https://www.files.ethz.ch/isn/173326/Moving%20beyond%20ambitions\\_%20Indonesia's%20military%20modernisation.pdf](https://www.files.ethz.ch/isn/173326/Moving%20beyond%20ambitions_%20Indonesia's%20military%20modernisation.pdf), pp. 12-14, 17-19, accessed 20/09/2017.

Jemmah Islamiyah and Abu Sayyaf<sup>48</sup> serve to complicate Australia's strategic calculus and limit the options available to the nation's strategic and political policy makers.

Recent diplomatic requests made by the Philippines to Australia for direct military assistance to combat increasing militancy in the southern province of Marawi<sup>49</sup> highlights the need for an assertive and flexible Australian capability to respond as a key regional security and strategic leader.

## 2.2. AUSTRALIA'S DOCTRINE & FORCE STRUCTURE RESPONSE

In response to the increasingly challenging threat environment and the range of threats presented by the rapidly evolving Indo-Pacific Asian region, Australia's political and strategic leaders need a policy and doctrine which provides operational flexibility and consistency, conventional deterrence and for industry certainty as part of the Government's wider industry development focus (e.g. *Naval Shipbuilding Plan*<sup>50</sup> and wider *2016 Defence Industry Policy Statement*<sup>51</sup>).

The 2016 Defence White Paper recognizes the need for Australia to be more active and internationally engaged:

*"The Government will reshape Defence's posture to ensure Defence is best positioned to protect Australia's security and prosperity. This includes strengthening Defence's international engagement and international defence relationships and arrangements, enhancing the ADF's preparedness and investing in upgrades to the ADF's basing and infrastructure<sup>52</sup>."*

However, what it fails to do, is adequately identify the key threats, operational limitations, capabilities and expectations Australia's political and strategic leaders will place on the ADF and how industry will directly respond to the necessary demand.

Drawing on the relative bipartisan consistency and coherence provided by America's strategic policy and doctrine, the following recommendations recognize the existing and conceivable strategic and tactical challenges developing Australia's region and aim to address them:

**Recommendation 1:** Recognition that Indo-Pacific Asia **is** Australia's primary area of strategic responsibility and that both '*high-intensity*' and asymmetric conflict or

<sup>48</sup> Department of Defence, 'Defence White Paper: 2016', <http://www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf>, pp. 39-46, 49-50, 59, 60-61, accessed 20/09/2017.

<sup>49</sup> Prashanth Parameswaran, 'What will Australia's new military terror aid to the Philippines look like?', <http://thediplomat.com/2017/09/what-will-australias-new-military-terror-aid-to-the-philippines-look-like/>, 12/09/2017, accessed 20/09/2017.

<sup>50</sup> Department of Defence, 'Naval Shipbuilding Plan', <http://www.defence.gov.au/NavalShipbuildingPlan/Docs/NavalShipbuildingPlan.pdf>, pp. 11-16, 104-107, accessed 09/09/2017.

<sup>51</sup> Department of Defence, '2016 Defence Industry Policy Statement', <http://www.defence.gov.au/WhitePaper/Docs/2016-Defence-Industry-Policy-Statement.pdf>, pp 5-10, 31-34, 43-56, accessed 09/09/2017.

<sup>52</sup> Department of Defence, 'Defence White Paper: 2016', <http://www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf>, pp. 21-22, 39-46, 49-50, 59, 60-61, accessed 20/09/2017.

hybrid warfare are potential threats to the nation and her economic, political and strategic interests.

Accordingly, Australia should develop a highly capable, flexible, conventional power projection focused force structure for the nation to meet its domestic and regional security and humanitarian obligations.

**Recommendation 2:** Identifying that Australia's core doctrine **should** be focus on the ability to: *“engage in and decisively win a single major regional contingency while actively supporting two concurrent smaller operations.”*

This doctrine serves to support Australia's political and strategic leaders in their decision-making process and ensures that they can protect the nation's economic, political and strategic interests throughout the region and maintain wider international relationships with key strategic partners.

**Recommendation 3:** The expansion of the Australian Army to include:

- 2 rapidly deployable, fully integrated, amphibious expeditionary regiments (2,000 personnel);
- 2-to-3 NATO standard high-intensity, fully integrated, capable divisions, further broken down in to 4-to-6 individually deployable *Brigade Combat Teams* (5,000 personnel); and
- Transfer of NORFORCE to Royal Australian Air Force to form the core of the mobile continental based Ballistic Missile Defence (BMD) capabilities:

**Recommendation 4:** The expansion of the Royal Australian Navy to include:

- Two rapidly deployable amphibious expeditionary groups (centered around the 2 *Canberra Class LHDs* and 2 new *LX-R based Amphibious Landing Ships [funded by savings from procurement of 4 Arleigh Burke Flight IIA Guided Missile Destroyers]*);
- Two Surface Action Groups (each equipped with a BMD capable *Arleigh Burke Flight IIA Class Guided Missile Destroyer* and 2 *Hobart Class as Future Frigates*);
- Procurement of 2 additional Auxiliary Fleet Replenishment Ships (total of 4, with 2 to be fitted out in Melbourne);
- Local build of 5 additional *Hobart Class Air Warfare Destroyers* (total of eight) operating as the SEA5000 project (replacing the ANZAC Frigates- w/2 additional vessels to be offered to New Zealand);
- Procurement of 4 BMD capable *Arleigh Burke Flight IIA Class Guided Missile Destroyers* (as SEA4000) to replace the *Adelaide Class Guided Missile Frigates* (option for an additional 2 to be negotiated with the United States);
- Funding savings from *Arleigh Burke Flight IIA* procurement to be placed into local build contracts for the planned *Landing Ship Tank (Balikpapan LST)* replacement project to be constructed in New South Wales and Western Australia;

- As planned procurement of advanced *Austal Independence Class Littoral Combat Ships* to provide required *Offshore Combat* (8), *Hydrographic* (2), *Mine Hunting* (4) auxiliary ships, with additional procurement to include (2) *Hospital* ships under SEA1180- to be constructed in Western Australia;
- Creation of four *Continuous-at-Sea Deterrence* groups made up of eight *Shortfin Barracuda Block 1A* (12 in total) armed with Land Attack Cruise Missiles;
- Expansion of the Fleet Air Arm to include a small contingent of fixed-wing combat aircraft (24 Lockheed Martin F-35Bs) to act as a credible fleet air defence and force projection capability, with additional logistics support aircraft also to be purchased (4 KC-22 Osprey tilt-rotor modified tanker aircraft); and

**Recommendation 5:** The expansion of the Royal Australian Air Force to include:

- Continued procurement of 72 F-35A Joint Strike Fighters as the core of Australia's future air combat capability;
- Procurement of the F/A-18E/F Super Hornets and E/A-18G Growler Electronic Attack Aircraft (16 of each aircraft);
- Additional procurement of 3 KC-30A MRRT Aircraft (10 total force);
- Continued upgrades of the E-7A Wedgetail AWE&C Aircraft;
- Reduced procurement of P-8 Poseidon maritime patrol/anti-submarine aircraft (12 in total) to fund procurement of additional (6 MQ-4C Triton) Unmanned Joint Surveillance Target Attack Radar Unmanned Aerial Vehicles and (6 MQ-9C Avenger) Joint Unmanned Surveillance and Target Acquisition Combat Vehicles;
- As planned procurement of 4 G550 Intelligence, Surveillance and Reconnaissance aircraft;
- Additional procurement of C-17 Globemaster III Strategic Airlift aircraft and C-27J Spartan Battlefield Airlift aircraft (total of 12 each); and
- Creation of a joint Australian-US continental BMD (under the RAAF *Australian Aerospace and Cyber Command*) network based around fixed Aegis-ashore installations and mobile NORFORCE BMD units (including road mobile BMD systems).

**Recommendation 6:** Creation of Special Operations Command as individual branch of the Australian Defence Force to include:

- Special Air Service Regiment;
- Fulltime reactivation of the 1<sup>st</sup> Commando Regiment operating concurrently with the 2<sup>nd</sup> Commando Regiment;
- Australian Clearance Diving Teams;
- Joint Terminal Attack Controller and creation of Pararescue capabilities under No. 4 Squadron RAAF; and
- Creation of a Special Operations Aviation Wing to provide dedicated airlift, close air support, electronic attack, surveillance and intelligence gathering capabilities to deployed Special Operations Forces.

Special Operations Command in its capacity as a new branch provides Australia's political and strategic policy makers with a bespoke, direct force multiplier capable of rapid response times anywhere in the region, with a specific focus upon traditional special operations roles, including direct action, specialized intelligence and surveillance gathering, counter-insurgency and domestic and regional counter-terrorism.

These force structure and doctrine recommendations with a focus upon increased capability development and the targeted procurement of key assets, particularly across the Army, Navy and to a lesser extent the Air Force serve to dramatically impact the sustainable development and long-term capability-building of Australia's domestic defence industries.

### 3. AUSTRALIA'S DEFENCE INDUSTRY DEVELOPMENT

Throughout the years of the Second World War Australia emerged as an industrial and manufacturing power in Asia. The nation's defence industry particularly swelled through the war years as shipbuilding, aircraft, vehicle and various light arms manufacturing developed to support the allied war effort in the Pacific.

The Commonwealth Aircraft Company, Lithgow Small Arms Factory, Cockatoo Island<sup>53</sup> and various other industrial centres throughout the nation sprung to life providing thousands of Australians with skilled, sustained defence industry manufacturing jobs for decades following the end of the war.

Recent decades have seen the cyclical nature of defence procurement and the wider inconsistency within Australian defence policy and doctrine dramatically impact the capability of the nation's domestic industry to reliably and efficiently meet the operational demands of the ADF.

In particular, construction problems throughout the procurement of the *Collins* class submarines<sup>54</sup> and the knee jerk purchase of *HMAS Choules*<sup>5556</sup> combined with more recent design and manufacturing issues with both the MRH-90 *Taipan*<sup>57</sup> and *ARH Tiger* helicopters<sup>58</sup> and the larger *Canberra Class* amphibious warfare ship<sup>59</sup> and *Hobart* class air warfare destroyer<sup>60</sup> projects all serve to highlight the limitations of the nation's domestic industry to provide and sustain material in response to incoherent, knee jerk policy and doctrine.

This realization has become further obvious in recent years with fears around a repeated 'valley of death' particularly within the nation's naval shipbuilding capabilities across shipyards in New South Wales, Victoria<sup>61</sup>, South Australia and Western Australia, which following the construction of the *Anzac* class frigates for the Australian and New Zealand Navy's were faced with no major work.

However, despite these sizeable challenges, the nation has enjoyed a number of defence industry successes. The highly successful, Victorian designed and manufactured *Bushmaster* Protected Mobility Vehicle, which has seen service with

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<sup>53</sup> Ross Gillett & Michael Melliar-Phelps, *A Century of Ships in Sydney Harbour*, 1980, pp. 12-15.

<sup>54</sup> Derek Woolner & Peter Yule, *The Collins Class Submarine: Steel, Spies and Spin*, pp. 217, 220, 274-283, 323.

<sup>55</sup> Andrew Davies, 'Cyclone Debbie catches Navy in perfect storm', *The Australian*, <http://www.theaustralian.com.au/national-affairs/defence/cyclone-debbie-catches-navy-in-perfect-storm/news-story/7a58c472950d6bc9767a01ea4e9c0b79>, 07/04/2017.

<sup>56</sup> Australian Defence Magazine, 'Signs of premature ageing found on HMAS Choules', *Australian Defence Magazine*, <http://www.australiandefence.com.au/news/signs-of-premature-ageing-found-on-hmas-choules>, 24/09/2012.

<sup>57</sup> Australian National Audit Office, 'Multi-Role Helicopter Program', <https://www.anao.gov.au/work/performance-audit/multi-role-helicopter-program>, accessed 20/09/2017.

<sup>58</sup> Australian National Audit Office, 'Tiger- Army's Armed Reconnaissance Helicopter', <https://www.anao.gov.au/work/performance-audit/tiger-armys-armed-reconnaissance-helicopter>, accessed 20/09/2017.

<sup>59</sup> Amelia McMahon, 'Questions mount over HMAS Canberra and Adelaide problems', *Defence Connect*, <https://www.defenceconnect.com.au/maritime-antisub/602-questions-mount-over-hmas-canberra-and-adelaide-problems>, 27/04/2017.

<sup>60</sup> Jon Grevatt, 'AWD Alliance admits destroyer contract hit by construction "difficulties"', *Jane's Defence Industry Information Group*, 26/10/2010.

<sup>61</sup> Jones in Stevens, *The Royal Australian Navy*, pg. 245.

the Australian, British and Dutch Army's<sup>62</sup> and the successful CEFAR Active Phased Array Radar<sup>63</sup>.

The Australian Government's announcement of approximately \$195 billion in funding over the next decade to 2025-26<sup>64</sup> provides the nation's domestic defence industry with the opportunity to leverage certainty afforded by locally driven procurement demands to maximize the country's broader international economic and strategic relationships to develop key supply, development and sustainment partnerships throughout Indo-Pacific Asia and the wider world.

### **3.1. INCREASED CAPABILITY DEVELOPMENT EQUALS INCREASED DOMESTIC INDUSTRY CERTAINTY**

The increased capability development resulting from consistent policy and doctrine certainty provides the nation's domestic industry with consistency and stability around procurement, industry development, innovation and economic development and sustainability.

Any increased stability provides the opportunity for greater industry and government collaboration supporting the Commonwealth Government's *National Ship Building Plan* and *Defence Industry Policy Statements* and the State Government's policies including the *New South Wales: Strong, Smart and Connected- The NSW Government Defence and Industry Strategy*<sup>65</sup> or the *South Australian Strategy 2025*<sup>66</sup> for example as a means of developing a robust, sustainable industry development policy.

This industry and policy collaboration also needs to recognize that there are various levels of industry which create a complex industrial organism made up of primary defence contractors, secondary and tertiary defence companies and adequately support industry development.

**Recommendation 1:** Introduction of competitive local content quotas as part of wider procurement contracts and memorandums of understanding with a rolling scale of contributions based on the scale of the project to focus upon supporting secondary and tertiary contractors and suppliers.

**e.g.** Introduction of bill similar to the NSW Government's *Steel Industry Protection Bill 2016* which mandates the inclusion of locally produced steel content to promote sustainable industry development:

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<sup>62</sup> Ian McPhedran, 'High demand for Victorian-made Bushmaster troop carriers', <http://www.news.com.au/national/high-demand-for-victorianmade-bushmaster-troop-carriers/news-story/53094f5caf73759b7b239b4766706a2a>, 12/12/2013, accessed 20/09/2017.

<sup>63</sup> Larissa Nicholson, 'CEA's Defence support deal', <http://www.canberratimes.com.au/act-news/ceas-defence-support-deal-20121212-2bah5.html>, 13/12/2013, accessed 20/09/2017.

<sup>64</sup> Department of Defence, 'Defence White Paper: 2016', <http://www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf>, pp. 39-46, 49-50, 59, 60-61, accessed 20/09/2017.

<sup>65</sup> NSW Department of Industry, 'New South Wales: Strong, Smart and Connected-The NSW Government Defence and Industry Strategy', [http://www.industry.nsw.gov.au/\\_data/assets/pdf\\_file/0011/98624/nsw-strong-smart-and-connected-defence-strategy.pdf](http://www.industry.nsw.gov.au/_data/assets/pdf_file/0011/98624/nsw-strong-smart-and-connected-defence-strategy.pdf), accessed 25/09/2017.

<sup>66</sup> Defence SA, 'Strategy 2025', [http://www.defencesa.com/upload/brochures/Defence\\_Strategy\\_2025.pdf](http://www.defencesa.com/upload/brochures/Defence_Strategy_2025.pdf), accessed 25/09/2017.



*“The object of this Act is to ensure, as far as practicable, that all steel used in public works or infrastructure constructed by or on behalf of public authorities manufactured in Australia<sup>67</sup>.”*

**Recommendation 2:** Leverage Australia’s robust international diplomatic and trade relationships through DFAT and AusTrade more directly to actively promote the export of Australian designed and manufactured equipment with major and emerging regional and international allies.

**e.g.** Thales Australia has recently begun the process of marketing the F90 (enhanced F88 [EF88] rifle around the world:

*“Thales Australia is introducing another new rifle- the F90MBR (modular bullpup rifle)- at a major Defence exhibition in London this week<sup>68</sup>.”*

**e.g.** The existing export success of the Bushmaster PMV (with the British and Dutch Army’s) provides opportunities for further market access, particularly in Europe for the Australian designed and manufactured Hawkei PMV:

*“Patrice Caine [Thales Chief Executive Officer] said yesterday export contracts for the Hawkei could be in place as early as 2018, with European nations expressing an interest in the Australian designed protected mobility vehicle. He said exports could eventually be worth between \$1bn and \$2bn<sup>69</sup>.”*

**Recommendation 3:** Leverage Australia’s internationally renowned education and vocational training institutions to promote closer domestic and international industry collaboration to foster increased STEM course uptake and skilling capabilities.

This should also include financial and tax incentives for expanding practical training, education and professional development services provided by these secondary and tertiary suppliers and industries.

Further to this utilizing State, Territory and Commonwealth Government relationships with industry (primary, secondary and tertiary suppliers) and education and training institutions to directly place skilled students and graduates into practical learning roles.

**Recommendation 4:** An expansion of the Commonwealth Government’s Research & Development Tax Incentive program to include concessional, competitive loans for

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<sup>67</sup> New South Wales, ‘Steel Industry Protection Act 2016’, <https://www.legislation.nsw.gov.au/bills/b05c53c0-4bdf-49b2-b20c-ef9ad85238db>, pg. 3, accessed 25/09/2017.

<sup>68</sup> Brian Hartigan, ‘Thales aims new rifle at NATO forces’, <http://www.contactairlandandsea.com/2017/09/12/thales-aims-new-rifle-at-nato/>, 12/09/2017, accessed 25/09/2017.

<sup>69</sup> Cameron Stewart, Rachel Baxendale, ‘Global Market beckons for hi-tech Hawkei armoured vehicle’, <http://www.theaustralian.com.au/national-affairs/defence/global-market-beckons-for-hitech-hawkei-armoured-vehicle/news-story/6e919ceabe30d8cfd47963bff8e8ddc>, 06/10/2015, accessed 25/09/2017.

emerging Australian businesses operating within the aerospace, defence and related support industries.

Any loans provided under the *Research & Development Tax Incentive*<sup>70</sup> program should be administered in collaboration with Australia's burgeoning venture-capital and start-up industry to promote greater corporate viability of the technologies developed as part of linking Australia's domestic defence industry suppliers with the industry disrupting culture inherent within venture-capital and entrepreneurial environments.

**Recommendation 5:** Increase the direct industry collaboration and participation with the Department of Defence and the DoD *Capability Acquisition and Sustainment Group* (CASG) to ensure that Government is an informed and model client with clearly outlined expectations and responsibilities throughout the procurement and sustainment life cycle.

#### 4. CONCLUSION

Australia's strategic policy has historically been highly erratic, defined by competing domestic political interests acting in response to complex regional and global strategic influences.

This approach has resulted in highly disjointed strategic doctrine, force structures and industry policy severely hindering the capability of Australia's armed forces and it's supporting industry to meet the operational capability demands of political and strategic policy makers.

Recognizing this is the first step to addressing the challenges the nation's operational and industrial capabilities, in response it is paramount that Australia recognize the important and leading role that the nation will play in maintaining both domestic and regional economic, political and strategic stability.

Simply put, the era of unrivaled *Pax Americana*<sup>71</sup> in Indo-Pacific Asia is at an end.

Responding to these challenges requires Australia's policy makers to acknowledge and understand the very real strategic and security challenge Australia faces in Indo-Pacific Asia and provide a comprehensive, worst-case scenario doctrine and force structure response to meet these operational challenges while providing the nation's domestic industry with certainty and security as the nation rises to meet the complex challenges to it's economic, political and strategic interests throughout the region.

Fundamentally, this shift in the regional power paradigm highlights the **need** for Australia to develop a suitably comprehensive and rapidly responsive capability to

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<sup>70</sup> Department of Industry, *Innovation and Science, 'R&D Tax Incentive'*, <https://www.business.gov.au/assistance/research-and-development-tax-incentive>, accessed 20/09/2017 13/09/2017.

<sup>71</sup> Christopher Layne, *The end of Pax Americana: How Western Decline became Inevitable*, <https://www.theatlantic.com/international/archive/2012/04/the-end-of-pax-americana-how-western-decline-became-inevitable/256388/>, 26/04/2012.

act as a reliable and proficient security leader, which is actively invested in Indo-Pacific Asia's security and stability and requires a distinctly bipartisan effort to be effective in the twenty-first century.

## **5. CONTACT**

We welcome any opportunity to further discuss the specific issues and recommendations (including a more detailed breakdown of a comprehensive force structure) raised in this submission.

To do so please contact