

Lowy Institute Paper 26

a focused force

AUSTRALIA'S DEFENCE PRIORITIES IN THE
ASIAN CENTURY

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Prologue

A momentous question

In producing a new Defence White Paper in 2009, the Rudd Government finds itself addressing a momentous question at an awkward time. The question is how China's rise affects Australia's long-term security. If it is addressed squarely, the question has large and unsettling implications for every aspect of Australia's strategic posture, including our alliances, partnerships and regional diplomacy. Most importantly for the Defence White Paper, it may have major implications for the kinds of armed forces Australia needs.¹

There is never a good time to address questions like this, but 2009 is proving especially awkward. The global economic crisis has made it harder than ever to detach long-term decisions about defence objectives and funding needs from short-term fiscal pressures. After a decade of swelling budgets, spending money on Defence has become hard again. At times Prime Minister Kevin Rudd probably wishes that he had left his Defence White Paper until his second term, as his predecessors Bob Hawke and John Howard did.

Some voices in government have no doubt been suggesting that the whole thing should be shelved until after the global economic crisis, because the sharp decline in the government's fiscal position makes it impossible to frame credible defence-spending projections. That is not necessarily true. The most important decisions in the Defence White

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Paper concern major force-development projects that span decades and take several years to get moving. They would have big implications for defence budgets 10 and 20 years from now, but add little to this year's budget and forward estimates. That means the government could separate, to some extent, its short-term fiscal policy and its long-term strategic policy. It would be possible to commit to further sustained increases in defence spending over the long term, and at the same time hold down or even cut spending in the next few years. This would be awkward to sell politically, and would limit future fiscal flexibility if the downturn proves to be longer and deeper than ministers now expect. But if the government is confident about Australia's long-term economic prospects, it would be foolish to determine long-term defence policy to fit short-term fiscal problems.

It might be tempting to think that the global economic crisis has shelved the question, because it has put China's rise on ice. That would be wishful thinking. China's economic growth and the present economic crisis operate on very different timescales. Even a severe global recession or depression is measured in years: China's rise is measured in decades. The deeper forces driving China's rise will most probably persist long after the present crisis is over. And the long-term effects of the crisis could amplify, rather than reverse, the long-term shift of economic, political and strategic power towards China.

That historic power shift is what makes the rise of China so important for Australian defence policy. Other security issues may seem more pressing from day to day — global terrorism and natural disasters, Afghanistan and Iraq, Timor-Leste and the Solomon Islands, the perennial question of Indonesia. A lot of debate about defence policy in recent years has focused on how we should judge their relative significance. But as I have argued in an earlier paper in this series,² the rise of China is different from all of these. It is the issue which will do most to shape Australia's strategic environment and defence needs over the next few decades. The prime concern is *not* whether China will pose a direct threat to Australia as its power grows. It is the way China's growth is fracturing the foundations of the old Asian regional order which has ensured our security in recent decades, and the deep

uncertainties about what the new order which will emerge might mean for our security.

From any perspective, China's rise is the most consequential long-term trend in the world today — economically, environmentally, culturally and strategically — and it probably constitutes one of the great transformations in history. As China's economic weight grows to challenge that of America, we are probably seeing the end of the age of Western strategic primacy in Asia which began with the Portuguese over 500 years ago. The end of the Vasco da Gama Era³ has been prematurely predicted often enough over the last century, but never before on such a solid basis — the seemingly inexorable shift of sheer economic strength.

This time the predictions might well be right. This is especially significant for Australia, because our society is so much a product of that era. Ever since 1788, Western maritime primacy in Asia — first British, then American — has seemed necessary and sufficient for Australia's security. We have enjoyed remarkable security since the early 1970s because American strategic primacy has been essentially uncontested by Asia's other big powers. But that cannot last if China's economy grows for the next three decades as it has for the past three. China's new strength is transforming its relationships with the US and Japan, and in doing so it is creating a new and more competitive strategic order in Asia. India's rise will eventually become a key factor too. This Asian Century will have profound implications for Australia's place in the region, and may carry new and large strategic risks: a revolution comparable in its consequences for Australia to the long collapse of British power.

Of course there is no certainty. We cannot be sure that China will keep growing over the next few decades, nor what that would mean for Asia's future and Australia's security. However, there is a strong and growing consensus that China's long-term growth can and probably will be sustained, with immense political and strategic implications in Asia. Kevin Rudd certainly sees things this way. In several major speeches in late 2008 Rudd made it clear that he regards the rise of China as the single most important factor shaping Asia's century and Australia's

long-term strategic risks.⁴ How big the implications for Australia's defence turn out to be depends on many things. Most of all, it depends on the major powers themselves. How will China use its power, and how will the US and Japan respond?

These are difficult questions. The major powers have immense incentives to preserve the peace and stability which has served them so well since the early 1970s. They could certainly find a way to do that, but they would need to build a new and quite different set of relationships with one another. That will only happen through careful, deliberate and often difficult compromise. They may fail, and failure is more likely if they do not realise how big the risks and consequences of failure are. Asia is not predestined to relive Europe's tragic history of major-power competition, but neither is that fate impossible. Conflict is not inevitable, but history teaches how easily and how badly these transitions can go wrong.

Only time will tell, but strategic policy cannot wait until the future is clear. Australia faces two urgent policy challenges over coming years. One is primarily diplomatic, the other is primarily military. The diplomatic task is to do whatever we can to promote the evolution of a new stable order in Asia that minimises the risk of conflict, and maximises Australia's opportunities and options. This is arguably the biggest and most demanding diplomatic task Australia has ever faced, requiring new and sometimes unfamiliar modes of thought and action. The Rudd Government's Asia-Pacific Community concept is perhaps a first step in the right direction, but much more will be needed as Australia seeks to influence and adapt to a changing Asia. This diplomatic challenge deserves and requires intense and detailed study. But it is not the subject of this paper.

We are here focusing on the second challenge, which is to respond to the possibility that notwithstanding our best diplomatic efforts, the new Asian order turns out to be more strategically risky than the old one. The defence policy task is to consider what kinds of forces Australia might need if that happens, and start to build them. This may be more urgent than many people assume. We do not know how quickly Asia might change: the region could be very different even a decade or two

from now. Defence capability meanwhile takes a long time to build, and must last a long time. Decisions taken in the 2009 White Paper will do a great deal to determine the armed forces Australia will have in the very different Asia of 2040. So while there is no need yet to rush, nor is there time to waste. The sooner Australia can start adjusting its strategic policy to Asia's transformation, the easier and less disruptive that adjustment will be. Ministers, therefore, do not have the luxury of thinking that they can leave this momentous question to their successors.

None of this will likely be news to Kevin Rudd. He would seem clearly to understand the significance of China's rise, and the urgency of effective policy responses. Moreover he grasps the interconnections between defence policy and diplomacy. However, he will find it difficult — diplomatically, fiscally, and politically — to address the clear implications for Australia of Asia's transformation. An effective policy response may cost a lot of money, complicate relationships with allies, potentially harm relations with China and require the government to explain complex, unsettling and unwelcome issues to the electorate. These are policy and political dilemmas which the White Paper will need to address.

This Lowy Institute Paper follows a Lowy Institute Perspective⁵ published last year which explored what Defence White Papers in general are meant to do and how they can best do it. This paper discusses the specific choices and decisions that government faces in producing a new Defence White Paper for Australia in 2009.

Chapter 1

Expectations

Defence policy is hard to do well. It involves big, expensive decisions about very concrete questions: how much to spend and what to buy. One would hope these decisions could be based on clear and rigorous judgements concerning the kinds of threats we might face and the best way to use armed force to meet them. But such judgements – especially when they project, as they must, several decades into the future — are always uncertain. We simply cannot know much for sure about future risks and how to manage them, so we have no choice but to base big and expensive decisions on sands of uncertainty. This gives defence policy its perennial challenge; to build a coherent, rational, defensible linkage between the dimly-seen risks of the distant future and the all-too-concrete choices that need to be made today.⁶

This is clearly the challenge that the Rudd Government faces as it produces its new Defence White Paper in 2009. Ministers cannot bridge the gap between uncertain risks in the distant future and urgent choices today simply by writing an essay on Australia's strategic future, by making a wish list of new equipment the military would like, or by promising to spend a particular amount of money. They will need to build a sustained, coherent argument that recognises the inevitable uncertainties and does everything possible to assess future risks, set strategic objectives, identify military options, define

capability priorities, and commit future funding. And all over a timeframe measured in decades.

This is time-consuming work. Governments often say that security is their top priority, but ministers seldom spend the time and attention required to do defence policy well. Instead they rely on their professional advisers, civilian and military, to advise them. To those immersed in the day-to-day business of defence, short-term management will always loom larger than the long-term questions on which major strategic decisions should hinge, and in the short term it is always easiest to stick with what we are already doing. So, by default, ministers tend to be advised to keep things largely as they are, and they tend to take that advice. They stick closely to what their predecessors did — as we can see from the fact that the Australian Defence Force has changed little in essential structure over the past 40 years.

They could do worse, of course. Change for its own sake is not good policy, especially in defence, where the accumulated legacies of past decisions last a long time. There are, therefore, deeper explanations for policy continuity than ministerial inattention. The Rudd Government inherits both a huge stock of existing military capabilities, and a big order-book for new equipment that is yet to be delivered. In theory there is no reason why the government could not jettison some of this inheritance; indeed, willingness to consider doing so is one mark of serious defence policy. But the huge investment in current forces and new projects means there is a strong incentive to conclude that the capabilities we already have in service and on order are just what are needed to face the strategic challenges of the next few decades.

On the other hand, governments are usually eager to persuade the electorate that the country faces new threats and uncertainties. This gives defence policy an air of unreality, as ministers often tell voters that the country faces fundamentally transformed strategic circumstances and complex new risks, but then reassure them that the old forces built to meet the old risks will still suffice to meet the new ones. No wonder Defence White Papers are viewed with some cynicism by old hands with long memories.

The legacy of *Defence 2000*

For the Rudd Government the status quo is represented by John Howard's White Paper, *Defence 2000: Our Future Defence Force*.⁷ It bequeaths a complex and ambiguous legacy, quite radical in some respects and deeply conservative in others. *Defence 2000* was radical in expanding the scope of Australia's strategic objectives beyond the defence of the continent that had been the focus of defence policy since the mid-1970s. It did so in response to several trends that emerged in the 1990s, including China's growing power which, even then, seemed to increase Australia's future strategic risks. On the other hand *Defence 2000* was conservative about the forces needed to achieve these expanded objectives. It concluded that they could be met by maintaining and upgrading essentially the same mix of capabilities that had been inherited from the rather different policies of earlier decades. Ministers declined to examine whether other force structures might be more cost-effective, perhaps because it seemed that with a few changes Australia's old force structure could do all that the new objectives required, without spending a larger share of GDP on defence. As we will see in later chapters, that looks much less plausible now.

Defence 2000 therefore bequeaths two hard questions to this year's new White Paper. First, are the wider strategic objectives which *Defence 2000* set for the ADF sufficient to meet the strategic risks we now perceive over coming decades? Second, would the force as it has been planned since 2000 be able to achieve these objectives, or whatever new ones replace them?

Setting the bar

This helps to frame our expectations for the new White Paper. To meet these expectations it should address four core questions.

- Identify the big strategic trends that will shape Australia's strategic environment between now and the middle of the century, and analyse what they mean for Australia's future strategic risks.

- Decide what part armed force should play in minimising and managing those risks, alongside other elements of policy, and what that means for Australia’s strategic objectives. Do we want to stick with the expanded strategic objectives that were adopted in 2000, or recast them? And what kinds of military operations could we employ to achieve them?
- Identify the kinds of capabilities which could most cost-effectively undertake the operations we need to be able to perform.
- Consider how those forces can be developed and maintained most efficiently, how much will they cost, and whether we are willing to meet that cost over the long term.

Finally, the White Paper must bring these judgements together. Effective defence policy consists in the alignment of these core decisions in a way that strikes an explicit, transparent, sustainable and defensible balance between judgements about future strategic risk and our willingness to spend money to mitigate that risk. Within broad limits, there is no predetermined right or wrong solution to this equation: no objectively correct balance to be struck. Like all such public policy decisions, the level at which we find equilibrium between costs and benefits in defence policy depends on the subjective value we place on security, and how it compares with the values we place on other competing goals.

But if there are no right or wrong solutions, there are certainly sound and unsound ones. Sound solutions are those that are reached with due diligence, without evasion and obfuscation, frankly confronting the options and choices we face. More commonly defence policy evades tough issues and inconvenient facts, and ignores the inevitability of balance and tradeoffs. We should expect more of the new White Paper than that. We should expect clear answers to the core questions posed above, and a realistic and sustainable approach to striking the equilibrium between cost and risk in Australia’s defence.

Chapter 2

Strategic risks

The first step in defence policy is to identify the risks we are trying to manage. That takes a bit of discipline. As a community we have great admiration for our defence forces, and we have instinctive, even emotional expectations that they can and should protect us from many different risks. The sober reality is rather different. Armed forces are among our most highly specialised institutions, designed very specifically to use lethal force to defeat other armed forces. While they can do other things, their extreme specialisation means they are almost never cost-effective for any task in which lethal force against organised adversaries is not required. Many of Australia’s pressing security concerns are like that, and consequently armed force will not have much role in addressing them. It sometimes makes sense to use our forces to help meet other risks, but seldom to design or build them specifically to do so. Decisions about the kinds of forces we build should, therefore, focus primarily on risks to our security from the use of armed force by others. They are what I mean here by ‘strategic risks’.

Judging strategic risks over the long term is not easy. Governments — like the rest of us — often over-estimate the implications of short term events and miss the implications of big slow trends. And we cannot predict specific threats decades ahead. The best we can do is identify the current trends which seem most likely to shape the strategic

environment of future decades, define the range of possible futures which those trends might produce, and assess the range of credible strategic risks which could arise in them. That will frame the range of possible future risks that our defence policy should cover.

Within that range we need to decide which risks deserve more attention: the more likely ones or the more consequential? Of course both dimensions should enter our risk calculations, but defence policy does properly weigh consequences ahead of likelihood. It should also take a sophisticated view of likelihood. It is easy to assume that something very different is therefore very improbable, because sharp discontinuities always look unlikely before they happen. But they are actually quite common. Often the most important question is, therefore, not whether a particular contingency is likely in the circumstances that exist today, but whether circumstances may change in ways that would make it more likely in future. For example, Japan today is unlikely to build nuclear weapons, but quite probable changes in its relations with the US and China could raise that likelihood sharply. So our assessments need to consider how changes in the wider strategic environment may affect the probability of specific risks.

Picking the trends

In the 1970s and 1980s Australian defence policy focused almost exclusively on one set of strategic risks — the possibility of conflict with Indonesia. We claimed in those days that Australian defence policy was not ‘threat-based’, but Indonesia seemed the only country that could credibly pose a military problem for Australia. The credibility of other strategic risks was constrained by several apparently enduring features of the regional order, including sustained US maritime primacy in Asia, little if any strategic competition between Asian major powers, continued stability and development among ASEAN members, successful decolonisation in the Southwest Pacific to create a sub-region of viable, harmonious neighbours, and a broad expectation that, after Vietnam, large-scale military interventions in other countries’ internal conflicts were unlikely.⁸

However, in the late 1980s and early 1990s it started to seem that some of these stabilising factors might be less enduring than we had thought. Over the 1990s Australia’s assessments of strategic risk were increasingly influenced by newly apparent trends. Two in particular strongly influenced strategic assessments as the decade progressed: the endemic pattern of instability and fragility among Australia’s small island neighbours, and new dynamics in the Asian strategic order driven primarily by the rise of China. One of the key purposes of the 2000 White Paper was to adjust defence policy to the new strategic risks implied by these trends.

There has been a lot of debate over the past decade about which of these trends is more important, and about whether others matter more still in determining Australia’s future strategic risks. Since 2001 most attention has been given to the emergence of global Islamist terrorism. For a while many people, shocked by what they had seen on 9/11, believed that this was the most important strategic risk Australia would face over the next few decades. They envisaged Australia being drawn into a protracted and demanding War on Terror which they compared with World War II and the Cold War. Certainly terrorism remains a most serious security problem for Australia, and one to which governments should continue to give a great deal of attention. But today few would argue that it principally determines Australia’s future strategic risks. Serious as it is, terrorism turns out to be less of a threat to the global order than many had assumed, and at the same time other, more substantial risks have not gone away. Moreover large-scale military operations have not proved to be an effective way to address the threat. Canberra’s low-key intelligence and police support for Indonesian counter-terrorism efforts have done much more to reduce the threat to Australian nationals than have military operations in Iraq and Afghanistan.

For all these reasons, the Rudd Government seems unlikely to conclude that Australia’s most important strategic risks over coming decades will come from global terrorism.⁹ It is much more likely to conclude that Australia today faces the same principal sources of potential strategic risk as we did in 2000: the shifting power balance

in Asia, fragility in our immediate neighbourhood, and the perennial question of Indonesia.

The big neighbour

Australian defence policy can never ignore strategic risk from Indonesia. Since its creation as a state, Indonesia has been, and will remain, the only close neighbour able to mount more than pinprick armed attack on Australia with its own forces. Moreover, while bilateral relations have usually been good in recent decades, the potential for conflict between two such different countries remains, and it could occur without much warning and independently of strategic developments elsewhere. So as long as US primacy could be counted on to keep Asia stable, conflict with our close neighbour has been the only serious conventional military contingency which Australia seemed at all likely to face. Most importantly, it was the only one we might have faced alone. That is why it was for so long our most critical strategic risk.

However, the scale of this risk has been limited not only by generally stable bilateral relations but also by the asymmetry between Australia's and Indonesia's armed forces. Indonesia has a large army and weak air and naval forces, while Australia has strong air and naval forces and a small army. Indonesia has never had the capacity to project large land forces across Australia's air and sea approaches in the face of our maritime defences, and Australia has never had the ability to mount major operations on Indonesian territory against Indonesia's army. Future strategic risk from Indonesia, therefore, depends on the development of the two countries' forces, as well as on how the relationship evolves. Australia's risks would increase sharply if Indonesia acquired air and naval forces that could challenge Australian control of our air and sea approaches.

Assuming Australia maintains current and planned capabilities, that would require a major expansion of Indonesia's navy and air force. That depends primarily on economics. As long as Indonesia's economy remains significantly smaller than Australia's, Jakarta is unlikely to invest the money needed to build air and naval forces

large enough to challenge those of Australia. But it remains possible that in coming decades Indonesia could establish the preconditions for sustained rapid growth, and then quickly overtake Australia's GDP.¹⁰ If and when that happens, it would be natural for Indonesia to buy air and naval systems comparable to Australia's, and eventually learn to operate them effectively. There is nothing inherently threatening about this: as countries' economies grow they usually do spend more on defence, and it would make a lot of sense for Indonesia, with its vast and complex archipelago, to invest heavily in air and naval forces. Nonetheless, for Australia to lose the assurance that we could deny our air and sea approaches to the large land forces of our big neighbour would constitute a large increase in strategic risk. The seriousness of that risk would then depend on the tone of the bilateral relationship. Indonesia has undergone a remarkable transformation to democracy over the past decade, and that may offer hope for future harmony. But recent experience suggests that both sides of the Arafura Sea also show regrettable propensities to mutual suspicion and xenophobia.¹¹ Nonetheless, in the wider Asian context we have deep strategic interests in common. The more complex and challenging that wider context becomes, the easier the bilateral relationship might be to manage, and the more important it is that it should be managed well.

The fragile neighbours

Australians have got used to worrying about our small neighbours, and for good reason. Many of them are poorly governed, economically stagnant and politically fragile, with state institutions which cannot deliver the basic services essential to individual welfare and economic growth. These are obviously serious problems, with grave consequences for the welfare of their citizens. But how do they pose strategic risks for Australia? We can answer that question in two ways. In the first place, Australia has repeatedly committed its armed forces to help address these problems in places like Timor-Leste and the Solomon Islands, and is likely to find itself in similar situations again. It could, therefore, make sense to take this probability into account when designing our

forces. But when we look deeper and ask *why* Australia has accepted these commitments, other considerations come into play. Australia's concern for the stability of its small neighbours is not just a matter of simple philanthropy. Deep-seated strategic interests are engaged as well. Since the mid-19th century Australians have often feared that the islands to our north could offer bases from which larger powers could threaten us, and that is again becoming an issue for Australia as Asia's strategic future seems less certain. So assessments of how these weak neighbours affect Australia's future strategic risks need to consider two separate questions: over the next three decades, how likely are they to sink further towards full-scale state failure, and how much would that increase the probability that outside powers would intrude?

The first of these questions is difficult to answer. Many of our neighbours have appeared to be on the brink of collapse for years, but they somehow seem to keep muddling along and occasionally even make some welcome progress. There is a significant chance that they will keep doing this for years to come. On the other hand there is a clear danger that one or more of them could suffer major crises that threaten their viability as states. The Solomon Islands and Timor-Leste have each experienced such crises in recent years. In each case protracted Australian military-backed interventions have been needed to avert the threat of major state failure. These problems may recur in more serious forms in these places, or spread to others. Most seriously, there is a clear risk that the South Pacific's largest states, PNG and Fiji, could experience catastrophic crises over coming decades, which might only be contained if there was a major Australian-led military intervention.

Whether this kind of major local crisis would pose wider strategic risks to Australia depends on the situation elsewhere in Asia. As long as relations between Asia's major powers remain harmonious, we have little to fear from intrusions into our backyard. But if Asia's major powers become strategically competitive, the likelihood and consequences of intrusion would rise swiftly.

The Asian century

We have seen that Australia's strategic risks close to home over the next few decades will depend a lot on how the wider Asian strategic environment develops. In these indirect ways, and directly through the implications for the kinds of conflicts Australia might find itself drawn into, the most important determinant of Australia's future strategic risk is the evolution of strategic relationships among Asia's major powers. And the key trend driving change in those relationships is the rise of China.

It is now almost 20 years since Australian defence policymakers started to consider what China's rise might mean for the stability of Asia's international order, and hence for the nature and scale of future strategic risks to Australia.¹² Since then the issue has steadily moved to the top of the agenda. As we have seen, Kevin Rudd regards the rise of China, and the implications of that rise for relations between Asia's major powers, as the most important factor shaping Australia's long-term strategic risks. Today most people in the strategic and defence policy community would probably agree. But what do we really mean by this? Kevin Rudd sometimes speaks as if the key concern is the growth of China's military capability, and especially its air and naval forces, which might, he implies, be used to attack Australia or its interests.¹³ That is a concern, but it is not the most important way in which China's growing power affects Australia's long-term strategic risks.

China's growing power over coming decades may increase the chances that we could find ourselves meeting direct Chinese military pressure. But it also, and more importantly, increases the probability of wider conflicts in Asia in which Australian strategic interests would be strongly engaged, and to which we therefore might feel compelled to commit strong forces. The changing balance of military power is only a symptom of a much deeper shift in the balance of economic and political power. That is changing the way Asia works, away from a system which has proved remarkably harmonious and stable towards something more risky. China's rise is undermining the old order in Asia, but China might not be solely responsible for any resulting turmoil. Indeed in some circumstances we could conceivably find ourselves aligning with

China against some other source of instability. Many things now highly unlikely could be possible in Asia's uncertain future.

China is not the only country whose power is growing: India too seems set to take its place as a major Asian power. When that happens it will be impossible to speak of a separate East Asian strategic system, but only of a pan-Asian one in which India plays a full role along with China, Japan and most probably the US. But that is in the future: India is perhaps a generation behind China, so China's rise carries greater implications for regional order over the next few decades than India's. Moreover China's rise challenges the current regional order much more directly, partly because of its proximity to, and relationship with, Japan, which carries such immediate implications for the US in Asia. It is the close interconnections among China, Japan and the US which make China's rise so strategically important, and so complex to manage. China's rise is transforming the fundamental power relativities among these three major powers, and hence inevitably the way they interact with each other.

That matters to Australia because for the last 40 years Asia's stability and Australia's security have been underwritten by a set of stable relations between the US, China and Japan. This has been so much part of the fabric of Asian stability since Nixon's opening to China in 1972 that we tend to take it for granted. But in fact it has been a remarkable achievement. For almost four decades, both China and Japan have accepted American strategic dominance of Asia, and have been willing to shape their own policies and expectations to accommodate and support it. This era of *uncontested* US primacy has been the bedrock of Australia's security and fundamental to our defence policy since the end of the Forward Defence era, because it limited our strategic risks and hence our defence needs. As long as relations between Asia's major powers remained stable, Australia only needed forces to meet any local threat from Indonesia, and provide modest support to the US in coalition operations. This provided the essential preconditions for Australia to build what we called a self-reliant defence policy in the 1970s and 1980s, which narrowly focused our forces on the defence of the continent against local threats. American primacy made Australia's

policy of defence self-reliance possible, because it limited both the scale of military support that we might need to provide the US in Asia, and limited the range of strategic risks we might have to handle ourselves without US support. That meant that the military forces we needed to achieve 'self reliance' were small and cheap.

All this is challenged by China's rise. Of course that trajectory is not inevitable. China faces immense challenges — economic, political, social and environmental — which could slow or even stop the growth of the past three decades. But we can no longer assume, as we have perhaps tended to do until recently, that there is some kind of inherent self-limiting mechanism which will prevent China growing strong enough to challenge US primacy. Only in the last few years have we really come to appreciate the obvious fact that if China grows for the next 30 years as it has done since 1978, it will overtake America to become the strongest economy in the world.¹⁴ Even now we have not yet absorbed how real that possibility is, and how momentous a change it would be.

For many people — and not only Americans — it seems almost unthinkable that after 130 years America might no longer command the largest economy on earth. They assume that America can bounce back from present troubles, and again confound predictions of decline. If the main sources of today's power shifts were America's economic and strategic problems in the Middle East and on Wall Street, their confidence would be justified. America remains an extraordinary country, and it can and will overcome its current problems. But that will probably not be enough to reverse the long-term shift in power that is reshaping Asia. The roots of that shift lie not in America's weakness but in China's strength, and they reflect deep historic trends. The underlying cause is China's transformation into a modern economy in which individual productivity starts to approach the levels of the industrialised world. The process of creating the political preconditions for this transformation began over a century ago, and the transformation itself has now been running for 30 years. If it continues, the laws of arithmetic come into play: the narrower the gap in productivity, the more important the difference in population. Once they are playing anything like the same game, 1.2 billion eventually beats 300 million.

As China's economic power approaches America's, the balance of strategic and political power in Asia must shift too. Other factors may help sustain American leadership, including formidable armed force and abundant soft power, but surely the deepest foundation of American strategic primacy is its sheer economic weight. And China's power is focused on Asia, while America's is spread around the world. China has no need to beat the US globally in order to match it in Asia. The implication for Australia is stark, and a little frightening. There is a clear probability that within a few decades — a timeframe relevant to the new Defence White Paper — the US will no longer exercise uncontested strategic primacy in Asia. What happens then? Much of course depends on how China uses its growing power. But America's and Japan's responses are equally important. All three major powers face the challenge to build a new set of relationships that can sustain the peace of the past 40 years as the power relativities between them change.¹⁵ How do they do that?

Beijing's aims are easiest to judge. It wants Asia to be stable and peaceful, but does not think US leadership is essential for that. Chinese leaders no doubt envisage a new stable order in Asia based on Chinese leadership, and will cautiously but persistently try to bring it about by maximising their power and influence vis-à-vis the US. America's response is less clear. There are broadly three possibilities. Least likely, but not impossible, the US could slowly allow its influence in Asia to decline, and leave it to the remaining major powers — China and Japan at first, later India and perhaps others — to sort out a new regional order without it. More likely, but still far from probable, the US could decide to share power in Asia with China and Japan. It could foster the creation of a kind of Concert of Asia, in which the big three — later four once India becomes too big to ignore — cooperated to shape regional affairs. On this model, as America's relative power waned it would stay in Asia to help hold the balance, and to prevent any other power from dominating the region, without itself trying to perpetuate the primacy of recent decades.

America's third option is to meet the Chinese challenge head on, looking for ways to maintain strategic leadership as its economic

primacy fades. The most obvious way to do this would be to try to build a coalition of regional countries — Japan, India, Australia, South Korea and at least some Southeast Asian states — to balance China's power. Whether this could work, and how the resulting strategic competition would be managed and contained, are critical unanswered questions here, but there are signs that the US has been trying to lay the groundwork for this kind of coalition-building in recent years. And it is likely to be a path which America will stay attracted to, most importantly because of Japan.

The Japanese worry that as China's power grows they get squeezed. They look to Washington for protection, and thus have little interest in the US either conceding or sharing leadership with Beijing. Japan finds itself in an untenable position: its security depends on a certain level of animosity between its two largest trading partners. The only way out of this trap would be to cease to rely on the US, and build an independent strategic posture — an immense and extraordinarily difficult step. So Japan will urge the US to contest China's challenge. And Washington, which relies on Japan as the foundation of its Asian power, will have little choice but to comply. Much will then depend on how the resulting strategic competition is managed. All sides would have a huge interest in keeping it within tight bounds, to avoid disruption of the economic cooperation which is so important to everyone's prosperity. But that would be hard to do, and there is a real risk that US-China strategic competition would become intense, disruptive and dangerous. That could happen slowly or as a result of a crisis, and not only over Taiwan.

The future of America's role in Asia, therefore, is not a simple question of stay or go. America could leave Asia over coming decades, or it could also remain engaged in ways that are very different from the recent past. Either way, American leadership in Asia would be weaker; diluted, contested or abandoned. For Australia, that means our US alliance would be a declining strategic asset, as America became both less capable of providing help, while demanding more help from us. And if America chose to contest a Chinese challenge to its leadership head-on, Australia would face complex, costly and unwelcome choices. Would we cling ever closer to a weaker and more

demanding ally, or draw apart and lose that ally's support in a more complex and dangerous region?

These sobering questions do not just pose challenges for Australia's defence policy. In the first instance, they pose acute and urgent challenges for our foreign policy. Australia has an immense stake in the way Asia's international order adapts to the changing power relativities over coming years. Our interest would be served by the early and orderly negotiation of a new order which avoided the growth of strategic competition between major powers through a power-sharing agreement in which the US remained closely engaged in Asia but shared leadership with China and Japan. As a self-declared 'activist middle power', Australia should be trying to promote that outcome. Australia has never had a higher diplomatic priority than to do whatever is possible to promote the emergence of a stable new regional order. The government's Asia-Pacific Community concept is a step in that direction, but real influence will only be found through forceful bilateral diplomacy in the most important capitals — Tokyo, Beijing and Washington.

Australian defence policy meanwhile needs to address the possibility that these efforts might fail. Asia's power shifts increase greatly the range of strategic risks our defence policy must address, because they increase the probability of threats from which America's uncontested primacy has shielded us. In essence, as China grows we face two kinds of increased strategic risk. Either we will have to do much more to support the US as it competes with China, or we will have to do more to support our own security with less US help. This is one of the great strategic challenges of our history.

Chapter 3

Strategic objectives

What does the forgoing analysis of Australia's strategic risks mean for defence policy? That will depend on how we think military capabilities can be used to help to manage these risks. There are three sets of decisions to be made. How might strategic risks materialise? What roles should armed force play in responding if they materialise? And what kinds of operations would best fulfil these roles? These are some of the most important, most difficult and least-understood issues in defence policy. The soundness of this year's White Paper will depend a lot on how well they are handled, because without clear answers to these questions, it will be impossible to make robust decisions about the kinds of forces we need.

Concentric circles and maritime denial

Let us start by looking back at the way these questions were considered in the last Defence White Paper. By 2000 it was already becoming clear that Australia would face greater strategic risks in the first decades of the new century than in the last decades of the old one. To understand those risks more clearly, the 2000 White Paper attempted to define Australia's enduring strategic interests. The idea was to describe simply and clearly the features of the international environment which

would reflect growing strategic risk — in other words those that most enduringly determine the probability or seriousness of a direct attack on Australia.¹⁶ Protecting these interests and thereby minimising strategic risk can be seen as the core purpose of all strategic policy. Defining strategic interests carefully is, therefore, central to good policy. In the decades after Vietnam, Asia’s stable order supported Australia’s strategic interests so well that we had started to take them for granted. But by 2000 it was evident that we should no longer be taking them for granted, and the first step towards protecting them more effectively was to define them more carefully.¹⁷

Defence 2000 set out to do this. It presented Australia’s strategic interests as a five-level concentric hierarchy in which priority decreased as distance from Australia increased. The hierarchy looked like this:

- Preserve the ability to deny the direct air and sea approaches to the continent to any adversary.
- Prevent the intrusion of potentially hostile forces into the territory of Australia’s small neighbours, and preserve internal stability within them.
- Prevent intrusion by an Asian major power into maritime Southeast Asia, or the domination of this region by Indonesia.
- Prevent the domination of Asia by any major power other than the US, or the disruption of Asian order by strategic competition between major powers.
- Support a global order which helps maintain Asian security.¹⁸

This formulation of strategic interests was integral to the White Paper’s overall defence-policy argument because it provided the basis for defining both Australia’s overall strategic aims — the full range of diplomatic and other measures designed to protect and promote strategic interests — and our *strategic objectives*, which define what we wanted the ADF to be able to do to meet our strategic aims. Strategic objectives are key to defence policy because they in turn defined the kinds of forces we needed.¹⁹ *Defence 2000* constructed a set of strategic objectives which specified in broad terms what the ADF should be able to do to protect

each interest, indicating the nature and scale of military effort Australia wanted to be able to exert in each case. As the distance from Australia increased, and the priority accorded the interest decreased, the scale of military contribution we sought to be able to make also fell. For the first two levels — the defence of the continent and our closer neighbours by denial of air and sea approaches — our strategic objective was to protect our interests with independent military operations. For the lower-priority interests, our strategic objective was to make progressively diminishing contributions to wider coalitions: leading in Southeast Asia, making a significant contribution in Northeast Asia, and only a modest and primarily symbolic contribution to coalitions beyond the Asia-Pacific.²⁰ This was clearly a more ambitious set of objectives than the previous tight focus on the Defence of Australia. How much more ambitious it was depended on how terms like ‘substantial’ and ‘significant’ were interpreted.

Defence 2000 was less explicit about the kinds of military operations Australia could best use to achieve these strategic objectives, perpetuating a major gap in Australia’s defence policy throughout the post-Vietnam era.²¹ There were, however, some implicit judgements about operational options in the paper which were central to its broad force-structure conclusions, if not always to later specific capability decisions. First, Australia would want to be able to use its forces to help stabilise fragile states, both in our immediate neighbourhood and, in coalition with others, in more distant places like the Middle East. Drawing on the experience of the 1990s, operational concepts evolved for stabilisation operations against non-state or weak-state adversaries, focusing on the use of relatively light land forces working in close cooperation with police, aid agencies, international bodies and NGOs, typically in broadly-based international coalitions.

Stabilisation operations obviously meet many of Australia’s most probable short-term strategic needs, but not the most important ones and longer-term ones. For these, the challenge has always been to find cost-effective ways to use Australia’s limited forces to achieve a wide range of strategic objectives covering a vast geographical spread, and against some very capable potential adversaries. The approach adopted in 2000

was to extend an operational concept of maritime denial,²² which had earlier evolved for the direct defence of Australia. Recognising that the continent could most cost-effectively be defended at sea, it focused on proactively denying Australia's maritime approaches to hostile forces. That word 'proactive' is critical: while maritime denial is strategically a defensive posture, it can and should be operationally offensive, aiming to set the pace and location of conflict, and targeting adversary air and sea forces wherever they can be found and reached. This operational approach was described as the 'Strategy of Denial' in the Dibb Review,²³ and 'Defence in Depth' in the 1987 White Paper,²⁴ but its roots go back at least to the early 1960s, and for decades it has strongly influenced the development of ADF air and naval forces.

A core idea implicit in *Defence 2000* was that the concept of maritime denial could be extended beyond the defence of the continent to provide a cost-effective operational option for achieving Australia's wider strategic objectives in the Asia-Pacific. According to *Defence 2000*, Australia could defend its immediate neighbourhood from hostile intrusion by denying the air and sea approaches to an adversary, it could support the states of maritime Southeast Asia by contributing to the defence of their maritime approaches, and it could support the US in Northeast Asia by helping to dominate the Western Pacific approaches to the Asian continent. In this way, a single operational concept, and a single set of capabilities, could support all our strategic interests in the Asia-Pacific. Moreover, the focus on air and naval operations would play to Australian comparative strategic advantages in technology over manpower. It would also mesh with the strategic concepts of our allies, and make it easy to scale ADF contributions in more distant contingencies to match our priorities.

Today's choices

The Rudd Government has important decisions to make about these issues in preparing the new White Paper, and several options to choose from. It could endorse the *Defence 2000* conception of Australia's strategic interests and objectives. It could set wider and more ambitious

objectives, or narrower and more modest ones. And however ministers decide to define Australia's strategic objectives, they will then need to decide whether to look for new operational concepts to achieve them, or stick with the old ones.

If ministers look carefully at whether to grow or shrink Australia's strategic objectives, they will see strong arguments on both sides. Shrinking them would be politically unpalatable and increase Australia's long-term strategic risk. But more ambitious objectives cost more to achieve. Especially if costs go up — as they will — it would only seem sensible for ministers at least to think about lowering Australia's strategic sights. What are their options? History is a good guide here: the two most credible models of more modest strategic objectives can be found in Australia's earlier defence policies — one from the 1970s and 1980s, the other from the 1950s and 1960s.

If money is tight, the government might be tempted to revive the policies of the 1976 and 1987 White Papers. This would be easy enough. A new White Paper could define an area of primary strategic interest covering Australia's closer region — essentially Indonesia and the Melanesian arc. It could say that Australia needed to be able to respond independently to any threat to Australian territory or interests that emerged within that area. But it could exclude any need to respond to threats emerging from further afield.²⁵ This would go beyond the policies of the 1980s by explicitly identifying the stabilisation of countries within our immediate neighbourhood as a strategic objective. But it would follow those earlier policies by limiting Australia's strategic objectives beyond the area of primary interest to small, essentially symbolic coalition contributions that we could safely assume would be found from the forces required for local purposes. On this model, Australia's forces could be structured to ensure that we could deny our air and sea approaches to Indonesian forces, and to undertake stabilisation operations in the small island states of the South Pacific. All this would cost a lot less than forces needed to meet the wider strategic objectives identified in 2000. But it would only make good strategic sense if one assumed that a US-dominated regional order would last indefinitely, and that Australia need not maintain a significant capacity to support it militarily. That does not seem credible today.

The other way to define a narrower set of strategic objectives would be to revert to something more like the Forward Defence policies of the 1950s and 1960s. On this model, Australia would redefine its strategic objectives solely in terms of supporting the US. It could then develop operational options that would concentrate solely on, and therefore expand, the contributions we could make to US-led coalitions, usually in the form of expeditionary land forces. Jim Molan has recently proposed something along these lines.²⁶ His concept would provide more support for the US than the first alternative sketched above, and thus might seem more suited to an era in which the US might face greater strategic challenges in Asia. But the kind of support envisaged in Molan's proposal would not be much use to the US in meeting Asian strategic challenges over coming decades: they will be very different from those of the 1950s and 1960s. And more seriously still, adopting this model would be a major gamble that energetic and unquestioning support for the US would be all that Australia needed to do to protect its strategic interests over coming decades. That would be a brave bet in 2009.

Not surprisingly, these two examples suggest that moving back to a narrower set of strategic objectives only makes sense if our concerns ease about Asia's strategic future. Unfortunately the government's own assessments of strategic risk seem to push in the opposite direction. If the strategic implications of Asia's transformation were serious enough back in 2000 for John Howard to expand Australia's strategic objectives as far as he did, how much more serious do they seem today? Ministers now will need to consider whether the objectives set in 2000 are ambitious *enough* to manage Australia's future strategic risks as we now perceive them. Possibilities that were only seen dimly in 2000 are now more starkly clear. Back then we did not acknowledge the probability that within a few decades China might actually overtake the US economically. We did not expect China's air and naval forces to develop so swiftly, to the point that already they significantly limit US military options off China's coast. We did not foresee the huge and draining commitments America has undertaken in Iraq and Afghanistan, and what they would show us about the limits to American power. The seriousness and the imminence of the challenge to US primacy is today

clearer than it was nine years ago, so the likelihood of tectonic change in Asia's strategic order is higher, and so are the consequent strategic risks for Australia.

To see the implications for the way we define Australia's strategic objectives, consider what Australia might want to do in the event of US conflict with China over coming decades if the balance of power between them shifts in China's favour. In 2000 we said that Australia's strategic objective would be to be able to provide 'significant' support to the US in this kind of situation. What that meant was not precisely defined, but it is clear enough. We'd send more than the kind of essentially symbolic 'niche' contribution that we have sent to successive conflicts in the Middle East over recent decades, but far less than a full-scale commitment of Australia's strategic resources. In short, it would be something like what we did in Korea or Vietnam. Would that be sufficient to meet Australia's interests if America's position in Asia was really under threat in 2025 or 2035? Would Australia want to be able to do more, by sending forces that could make a substantial contribution — by which I mean, make a real difference to who won — or more modestly, envisage sending forces that only made a difference to *how easily* they won?

These questions are hard to answer without delving more deeply into the circumstances of the conflict itself. What would count as 'winning' in a war between two such different powers as the US and China? How much influence would Australia want to have over America's war aims and plans? And of course, most importantly, would we want to support the US at all in these circumstances? Whichever way we answer this question, the implications are momentous. If Australia chose to support the US, we would want to do it in a big way, aiming to make a real difference both to the conduct of the war and to the shape of what followed, because having made that choice our future would be utterly tied up in the outcome. If Australia chose not to support the US, we could assume that henceforth we would be on our own.

The sober contemplation of the strategic choices Australia might face in the Asian century suggests that the strategic objectives set in 2000 may not be sufficient to support Australia's strategic interests

and manage our strategic risks over the next few decades. To explore how they might be revised, we would need to consider how Australia's national strategic posture might be reconfigured if five centuries of Western maritime primacy in Asia are really coming to an end. This would involve a fundamental review of Australia's wider strategic aims, into which strategic objectives must fit. Would we seek to build new alliances with one or more great and powerful friends, this time in Asia? Try to forge a coalition for collective defence against China or some other aspiring hegemon? Or retreat to strategic isolation on a fortress-continent? These are big questions, which need to be considered if Australia is to make sense of its strategic future in an Asian century very different from anything we have known before. The answers would provide a new set of strategic aims which would guide diplomatic efforts to shape Australia's emerging strategic environment to minimise our risks and maximise the chances of peace and stability. Eventually Australia's strategic objectives must be re-framed to support whatever new strategic aims we adopt. But setting new strategic aims goes beyond the scope of this paper, and of the new White Paper as well.

However this does not mean we cannot reach at least some working conclusions about the demands which credible alternative strategic aims might place on us. Any posture that requires Australia to be able to undertake more than symbolic military operations against major power adversaries would demand much more of Australia's forces than our defence policy had envisaged in the 1970s, 80s and 90s. The strategic objectives set out in *Defence 2000* are, therefore, an absolute minimum for Australia if we want to retain what I have called elsewhere 'the independent strategic weight of a middle power'.²⁷ My sense is that Australians would want to do that, if we can. The alternative is to adopt New Zealand's strategic posture, without New Zealand's confidence in a geographically close and relatively powerful ally. It may come to that, but I do not think Australians should choose to go that way until they have considered more carefully what options there might be to avoid it.

So how do we proceed for the time being? It is reasonable to assume that however our national strategic posture might evolve, the ideas that have emerged over the past 20 years will inform any new conception of

strategic interests and objectives, and therefore provide a good basis for choices about the forces we should build in the decades ahead.

Operational options

The first step in deciding what forces can most cost-effectively meet any given set of strategic objectives is to decide how armed force can best be used to achieve them. What operational options should we prepare to employ? The question for the new White Paper is, therefore, whether there are better, more cost-effective alternatives to the stabilisation and maritime denial concepts that underpinned the 2000 White Paper.

Stabilisation operations have been intensively studied in recent years, as we have learned tough lessons from Iraq to the Solomon Islands about the limitations of armed forces in pacifying and rebuilding dysfunctional societies. The general conclusions are clear: that the military effort must be integrated with a much larger civil effort, that military forces must move about among the people, and that special skills and capacities very different from those of conventional conflict are needed. These ideas are hardly new, and they have proved easier to formulate than implement. Moreover recent experiences and setbacks should also lead to some deeper reconsideration of the value of stabilisation operations. Already we can see some retreat from the unrealistic expectations of the 1990s and early 2000s about the ability of outside armed forces, even when fully integrated with civil agencies, to address the political, social and economic sources of state weakness and dysfunction. What we learn over the next few years about the durability of recent apparent successes in Iraq, and the trajectory of the current intervention in Afghanistan, will do much to influence future attitudes to stabilisation operations, including in Australia. For the time being there seems no alternative for Australia but to sustain the current kinds of stabilisation operations in the immediate neighbourhood. But it is quite possible that the vogue for armed interventions will prove to be transitory, or at least that ambitions will be scaled back from the sometimes rather grandiose aspirations of recent years. As we shall see, all this will have implications for the way the government thinks about the future of Australia's land forces.

There is a quite different kind of debate about the future of maritime denial as the operational foundation for Australia's other strategic objectives. This area of defence policy has not been well studied for many years, but recently several serious efforts have been made to explore how Australia might handle the risks of the Asian Century by identifying more cost-effective military ways to achieve strategic objectives, especially against major-power adversaries. These provide interesting alternatives to the maritime denial concepts underpinning the 2000 White Paper. Allan Behm hints at an operational concept he calls 'decisive lethality', focused on the leadership and command structures of a potential adversary.²⁸ In a telling image, he likens this to the way a blue-ringed octopus attacks the nervous systems of much bigger prey. Ross Babbage has proposed that Australia should adopt what he calls a 'flexible deterrent' posture, essentially a conventional version of a classic 'deterrent by punishment' strategy. In the spirit of de Gaulle, he has proposed that Australia should develop the capacity to 'rip the arm off' a major Asian power — in other words, be capable of imposing costs on a major adversary that outweigh any possible benefit from attacking us.²⁹

These are both important contributions to the debate, but I think they both fail to offer a more cost-effective alternative to maritime denial. Attacking leadership and command networks, as Behm suggests, is an attractive idea, but the closer one looks the harder it becomes. Leaders are hard to find, easy to protect, and can often readily be replaced. Command structures are easier to target, but they too are easy to restore or replace, at least after a day or two. Leadership and command targeting, therefore, has most effect at the tactical level when minutes count: at the strategic level it is seldom effective. Moreover, it is a game that two can play: a subtle form of implicit mutual deterrence seems generally to have inhibited the use of decapitation as an operational option.

Babbage's concept also has much to commend it, but suffers from the problems characteristic of deterrence in other contexts. First, deterring a major power through threat of punishment is hard to do. Babbage suggests that a force capable of achieving his deterrent objectives might need to include 300-400 JSF aircraft, 20-30 submarines, or 'exceptional'

cyber attack and cyber defence capabilities in order to threaten enough damage to deter a major power. But even these forces would probably be insufficient: experience in the last century suggests that major powers are capable of absorbing truly immense amounts of damage before desisting from strategic aims they have set themselves, and of course they have ways of deterring us from inflicting serious damage on them as well. So it is far from clear that Australia could afford a conventional force large enough to achieve reliable deterrence against a major Asian power, and doubtful that deterrence in this form would be more cost-effective than maritime denial. Secondly, although Professor Babbage calls his posture 'flexible', I'm not sure that it is flexible enough. A force designed for deterrence of major attack on the continent might lack the capacity to respond proportionately — and therefore credibly — to lesser but still serious challenges to Australia's interests. We would risk spending a lot of money on a force which might leave many of our interests without credible protection.³⁰

This brief discussion does not by any means exhaust the analysis needed of alternative operational options for achieving Australia's strategic objectives. There may be other viable and potentially cost-effective operational options that should be considered, and more work should be done to explore them. On the one hand, the future of stabilisation operations cannot be taken for granted: current operations will have much to teach us about how armed forces can best be used to refashion weak states, and whether they should even try. However, for the time being governments will need to decide whether they stick with the current model, change it, or abandon such operations altogether. The first option seems by far the most likely.

On the other hand, although maritime denial has deep roots in Australian strategic thinking, there remain about it some important questions to be addressed. It has some evident limitations. It does not fit traditional, ANZAC-inspired ideas of the 'Australian Way of War', and abandons ambitions to be able to end conflicts decisively by invading and occupying the territory of an adversary. But is our traditional way of war — sending armies to help distant allies — what we need in the new century? And would it ever make sense for Australia, or our allies,

to build a strategic posture around Euro-centric continental concepts of absolute victory in maritime Asia? The closer one looks, the more it appears that, while maritime denial has limitations, it fits Australia's comparative advantages, offers better economy of effort and resources, has a better chance than alternatives of being operationally sustainable over coming decades as regional maritime forces increase, and fits the probable operational concepts of friends and allies. I would conclude that the government must adopt a clear operational concept for major regional conflicts as the basis for its force planning, and maritime denial is the best we have.

Hedge or fudge

No government likes to take hard decisions if they can be avoided, and there are at least two ways that Kevin Rudd might seek to avoid the tough choices about policy fundamentals which we have been exploring in this chapter. The first is to hedge, by trying to defer decisions until things become clearer. The government could argue that there is no need to decide yet whether Australia needs to reformulate its strategic objectives in response to Asia's transformation, because we do not yet know if and how that will happen. Unfortunately this is probably only half true. Yes, the future remains uncertain. But that does not mean we can afford to delay decisions about how we respond until everything becomes clear, because by then it will be too late. For example, on present plans it would take 30 years to expand our submarine force to 12 boats. Even if we start now we would be lucky to have major new capabilities in service by the time China starts to overtake the US as the largest economy in the world. This suggests that, while it would certainly be worth exploring options for rapid implementation of later decisions, we cannot simply assume it will be possible. The experience of the past many decades suggests that if we might need new kinds of capability in 30 years' time, we had better start planning them now.

The last option of course is to fudge, and Rudd and his colleagues would hardly be human if they did not find this an attractive possibility. They will surely be tempted to equivocate about what Australia's

strategic objectives should be, and how they should be achieved. That is, after all, what most governments do most of the time. It offers a way to avoid tough choices between increasing long-term strategic risks by cutting strategic objectives, and increasing the Commonwealth's fiscal burden by increasing long-term defence funding. But of course these choices must be faced explicitly and unflinchingly. It's not just an abstract matter of good government, but a very concrete requirement for cost-effective defence policy. Australia does not have an easy strategic situation. Managing strategic risk over coming decades will be demanding, and we will need to spend every dollar as effectively as possible. That will only be achieved if we have a very clear idea of what we need to be able to do with armed force and how we intend to do it, because only then can we build the capabilities to meet our needs most cost-effectively. Without rigorous and explicit decisions about interests, objectives and operational priorities, any defence capability plan is just a wish list.

Chapter 4

Beyond the balanced force

It is time to start looking at capabilities. In the previous chapter I suggested that the least the government should do in its new White Paper is to commit to building forces that can achieve the strategic objectives set out in the 2000 White Paper through stabilisation and maritime denial operations. The next issue, therefore, is what capabilities that requires us to build. The simplest way to start is to ask how well today's force, and today's plans for its future development, measure up against those strategic objectives. This chapter looks at this question. The answer is not reassuring. There is a big gap between Australia's present and projected forces and the tasks they are now supposed to be able to perform, and that gap will most probably grow over coming years. There are three simple reasons for this. Back in 2000 we underestimated what was required against the strategic trends as they were seen at the time. Since 2000 the strategic circumstances have become tougher, faster than expected, and seem likely to continue to do so. And third, since 2000 some seriously mistaken decisions have wasted a lot of money on capabilities that do not contribute cost-effectively to Australia's operational priorities, imposing significant opportunity costs and reducing our capacity to achieve strategic objectives.

Stabilisation missions

Let's look at how Australia's forces measure up against current objectives in more detail, starting with stabilisation missions. In 2000 it was concluded that an army with a core of six full-time, high-readiness infantry battalions would be sufficient both to lead stabilisation operations in the immediate neighbourhood and to contribute small contingents to more distant coalition operations. It was also assumed that the army could at the same time retain the critical skills, training and equipment needed for the more intense land warfare that might be required to support maritime denial operations in a conventional conflict. Since then Australia has found itself undertaking longer, larger and more demanding stabilisation operations than we had expected. Tasks have grown incrementally without clear strategic rationales being articulated or priorities being set. We have been drawn into substantial and open-ended commitments to policing missions in Timor-Leste and the Solomon Islands, and into protracted and dangerous operations in Afghanistan. Commitments have grown without consideration of their implications for the Army's training, equipment and doctrine, and consequently for its capacity for more conventional combat. The limits to Australia's willingness to intervene in a major breakdown of law and order in somewhere like PNG, Timor-Leste, or Fiji — never well-defined — have become very indistinct.

It was partly in response to these pressures that the previous government decided to raise an extra two infantry battalions in 2005. But even with eight battalions, the lessons of the past few years have very uncomfortable implications. Australia today lacks the land forces to achieve decisive results even in the modest objectives we have set ourselves in places like Timor-Leste. We could probably respond effectively to an attempted coup in Port Moresby in which several hundred members of the PNGDF supported a violent overthrow of the elected government. But we do not have military options available to respond to a major breakdown of law and order in any substantial area of PNG. For example, we would be little better placed today than we were at the time to provide a military option to respond to a crisis

like the one in Bougainville in 1989. Nor could we provide an effective military response to a serious crisis in Fiji, or to a widespread collapse of law and order in Timor-Leste — even with the upper levels of New Zealand and other regional support.

The reason is simply that we have too few troops for these tasks. Stabilisation operations take a lot of people on the ground. How many people we could deploy from our current force is always difficult to estimate. Much depends on luck, and willingness to run some risks. But as a rough indication, even with eight battalions, Australia would today be hard-pressed to deploy more than about 3000 troops to a major crisis in our region for a short deployment of up to a few months. And even if we abandoned other operations — always an option in a crisis — we could not surge more than 6000 troops. With luck we might expect to get another 1500 troops from regional friends. But that would not be enough to deal with the kinds of quite credible major problems sketched above.

Moreover, there is a second issue to consider. The more we use the Army for stabilisation operations, and the more we optimise it for those operations, the further it will evolve from the kind of force that can operate effectively against conventional military forces. This is an issue which armies themselves have been a little reluctant to address. Keen to retain their traditional focus on conventional conflict, but also eager to prove their value in stabilisation operations, they have tended to try to downplay the tension between the two roles. But a force optimised to undertake stabilisation operations cost-effectively will be trained, equipped and organised differently from one optimised for medium- to high-level conventional conflict. An army that is designed primarily for stabilisation operations will slowly but surely take on many of the attributes of a constabulary, and lose the ability to prevail over other conventional armed forces. That suggests we cannot assume that the land forces we build for one task will be perfectly adequate for the other.

So we face some tough choices about the future of our land forces. In the next chapter we will explore what these choices might be in more detail, but it is important to note here that the answer is not necessarily to build a bigger army. As we suggested in Chapter 3, it might be better to rethink our objectives and operational options. First, do we

understand the proper role of armed force in stabilising places like PNG and Timor-Leste? It always seems easy and strong for a government to send in the army to deal with trouble in the backyard, but armies tend not to be the best way to deal with many of the security issues we face there, and the security problems themselves are always only a symptom of deeper social, political and economic problems. So before expanding the army we should explore other, possibly more effective, ways to help stabilise our nearer neighbours. Secondly, we should ask just how big a stake we really have in the stability of our neighbours. It is one thing for John Howard and Kevin Rudd to declare that Australia's interest and responsibilities require us to ensure that they do not fail as states, but what if that turns out to require our Army to be two or three times the present size?

Maritime denial

Nine years ago the government believed that the air and naval forces which Australia had built over the preceding few decades to achieve maritime denial of our direct approaches from Indonesia could also, if steadily updated and with a few significant but incremental improvements, achieve the much more ambitious strategic objectives set out in the 2000 White Paper. Back in 2000 it seemed credible that Australia could, with a little effort, retain a decisive technological edge over the forces of major Asian powers like China. That would ensure that the ADF could defend Australia's and our small neighbours' air and naval approaches against the forces that a major Asian power could project and sustain in our neighbourhood,³¹ and that we could contribute strategically significant forces to coalition operations further from home. Today it does not look credible that on current plans we would have that capacity in a decade or two. Australia's air and naval forces face much more demanding future operational circumstances than were envisaged in 2000.

Take combat aircraft, perhaps the most critical capability for maritime denial operations. Back in 2000 the decision was taken to replace the F-111 and F-18 fleets with fifth-generation aircraft in the belief that

this would restore, for some decades to come, Australia's traditional level of superiority in air combat and strike over any credible adversary, including China. There has been a lot of debate in recent years about the adequacy of the JSF when matched against the Russian-designed aircraft that are forming the basis of China's growing airpower. Many claims made on both sides of that debate would seem exaggerated, or at least hard to validate, and I will not attempt to adjudicate the issue here. But it is worth stressing that to restore the wide margin of superiority in the air that Australia has traditionally enjoyed, or at least believed we enjoyed, it is not enough to have an aircraft and a system which is just as good as a potential adversary's: it needs to be *much* better, and we need to have a high level of confidence that it will *stay* much better. The recent debates have at least raised doubts that the JSF will deliver and sustain that level of superiority over its 30 or 40 year service life. If those doubts prove justified, the 100 aircraft that seemed sufficient in 2000 to meet Australia's needs would not be able to do the job in future. We would need more aircraft, or better aircraft, or both, to meet our strategic objectives.

The same is true at sea. Nine years ago it seemed credible that the kind of air-warfare destroyers that the US had been building for several decades could operate effectively against Chinese and other emerging Asian maritime forces. That is now much more doubtful. Current and future growth in anti-ship missile and submarine capability has increased the risks to surface ships operating against Chinese and other regional forces sharply, and will continue to do so over coming decades. There is now real concern in the US about the capacity of the PLA to pose an unacceptable risk to US carriers and other surface ships in the Western Pacific over coming decades. How much more serious is this risk for Australia's ships? The same trends have serious implications for the adequacy of our submarine capability. The Collins remains a highly capable boat against any regional adversary, but the growth of Chinese forces (among others) both increases the demands on our submarines as surface ships become more constrained, and increases the risks to them. The confidence we had back in 2000 that six submarines would be enough now looks misplaced.

The balanced force

So here is the simple truth: the force we are building today will not be able to achieve the strategic objectives that the previous government set for Australia, and that the present government could well adopt. That has profound implications for the way we define our strategic objectives and develop our defence forces. If we want to sustain the strategic objectives adopted in 2000, Australia will need to significantly expand both its land and maritime forces. If it is not willing to do that, it will need to scale back its strategic objectives, and accept significantly increased strategic risks. So in the end it comes down to a simple trade-off between cost and risk. But in making that trade-off, we have stronger incentives than ever before to ensure that the money we spend is applied as cost-effectively as possible to achieving the strategic objectives we have set. And that requires a major change to the way we have done defence planning for the past few decades.

The basic structure of Australia's armed forces has changed little over the past 40 years. The foundations of that structure were laid in the early 1960s, when Menzies responded to the first serious doubts about the Forward Defence posture by acquiring new capabilities that could defend Australia against Indonesian threats without relying on the US or UK. As the concepts of 'self-reliance' and 'the defence of Australia' were developed in the 1970s and 1980s, the rationale for this kind of force was refined and elaborated, but the force itself changed little. This was not necessarily a bad thing. The force had been designed to meet the relatively small local threats that Australia might need to face alone within an international order in Asia dominated by our major ally, and to provide options for modest, essentially symbolic support for that ally in more distant conflicts. As long as American primacy lasted, it limited the scale of threats we might face alone, and the scale of support we might need to offer the US. And as long as that lasted, the kind of forces we started to build in the 1960s would continue to do what we needed.

Habit is powerful. After 40 years the basic structure of the ADF today is deeply entrenched in the institutional mind-sets and aspirations of the armed forces, the expectations of the public and the

working assumptions of the politicians. The *status quo* is idealised as 'The Balanced Force' by the defence establishment, and we can assume that the government today is being strongly advised to stick with it. They will be tempted by this advice. Any change would create losers among the three services, and within each service. The government would need to make hard choices, and explain those choices to the public by acknowledging frankly the dynamics of Australia's long-term strategic situation and the implications for force structure and defence budgets. Ministers may well be reluctant to take all this on, preferring to believe instead that the defence establishment centred on Canberra's Russell Hill knows best, and that what has worked in the past will keep working in future.

In fact the Balanced Force will continue to be an adequate, if not necessarily cost-effective, force structure for Australia as long as the future looks like the present and the recent past. The attraction of the Balanced Force is that it has a bit of everything, which means it can do a bit of anything. That is called 'flexibility' by its proponents. But in any highly-specialised business — and modern combat is very specialised indeed — flexibility across many roles is always bought at the price of capacity and effectiveness in any one of them. The Balanced Force lacks the capacity to do enough of any one thing to achieve a decisive strategic result independently. But the more Asia and America's role in it change, the more inadequate the Balanced Force will become.

Doing better

The problem is not new. The reassuring conclusions of the 2000 White Paper were in part a result of the previous government's reluctance to consider how the ADF should be changed to match the strategic objectives it had adopted. Fearing criticism from the military and the defence lobby if any existing capabilities were cut, it chose instead to maintain the Balanced Force indefinitely, grafting a few new capabilities onto it, without reviewing the adequacy and cost-effectiveness of the foundation on which it was building. That was a serious policy failure. The challenge for the new government in the 2009 Defence White

Paper is to remedy this failure and transform the Balanced Force into what one might call a Focused Force³² — focused on the capabilities that can most cost-effectively achieve Australia’s strategic objectives. This is not easy. Designing a Focused Force requires clear strategic objectives and operational priorities, and it also requires tough decisions about the capabilities that will achieve them most cost-effectively. There are significant risks in this: we might misjudge the strategic objectives we will want to achieve, or the best way to achieve them. One of the strongest arguments in favour of sticking with the Balanced Force is that it avoids those risks by avoiding the choices. But in avoiding those risks it runs others, much more serious: that the Balanced Force will prove inadequate if ever put to a major test.

Chapter 5

Capability choices

Now at last the rubber meets the road. We have considered how Australia’s strategic risks are evolving, what that means for the strategic objectives of our armed forces and how they might be used to achieve them, and how our current and planned forces measure up to the resulting demands. We are now in a position to consider what forces Australia should be building to meet the strategic risks we have identified.

Army

It has been clear since at least 2000 that the Australian Army should be built primarily to deploy overseas, not to fight on Australian territory. But the big question remains: what is it meant to do overseas? Stabilisation operations or conventional wars? Support the US or fight independently? Ideally it should be able to do all these things, but as always the government will face a choice between flexibility and capacity. Big investments in equipment and skills for heavy combat will preclude the larger troop numbers required for major stabilisation tasks, and vice-versa. The Balanced Force has tried to avoid these choices, leaving an army which has neither the combat weight for a significant contribution to a major war, nor the numbers to meet government objectives for stabilising our neighbourhood. Some choices should now be made.

If we want to focus the ADF on the strategic objectives we have identified, the choices are clear but not easy. Land forces do not have a primary role in our maritime denial operational concept. Few would suggest that we do not need some residual capacity for conventional land warfare, but the primary function for Australia's land forces over coming decades will be stabilisation operations, especially in the immediate neighbourhood. The key factor in developing Australia's land forces will, therefore, not be combat weight, but size. The White Paper, therefore, should give priority to expanding the size of the deployable and sustainable light forces, and to hold, or even diminish, the investment in heavier capabilities.

One should not take this logic too far, of course. Capability planning should always aim to achieve decisive superiority in any engagement. Our land forces need protected vehicles and potent firepower to ensure they can manage credible tactical situations against both insurgent forces and the lighter conventional forces they might meet if stabilisation operations escalate.³³ But decisions about how much to spend on protection and firepower need to have a realistic eye to cost-effectiveness: it is hard to argue that Abrams tanks are more cost-effective in providing protection and firepower to dispersed stabilisation operations in Australia's immediate neighbourhood than a larger number of lighter armoured fighting vehicles and armed helicopters.

This means that the government's most important decisions about developing the army concern the size of its deployable forces. There are several elements to this. First, the number of active full-time infantry battalions. At present the army is building to eight battalions (up from four a decade ago), but as we have seen, this number is probably inadequate to meet credible demands arising from our current strategic objectives. The government can find more battalions in several ways. One easy way is to shift the Air Force's Airfield Defence Regiment into the army. Maintaining a separate force solely to defend airfields might make sense in some strategic circumstances, but not in Australia's. Another way is to increase the proportion of the army's present regular strength posted to the battalions. This is harder: it would require deep rethinking of the army's organisation and culture, and some

compromises. If, however, the government is serious about maximising Australia's capacity to support stability in our neighbourhood, there are some real opportunities here. A third way is to make more use of reserves. This is an old idea: for decades governments have hoped that part-time soldiers would be a cheap way to build larger deployable forces. Some valuable progress has been made in removing barriers to effective use of the reserves on routine operations, but results remain a long way below expectations. The heart of the problem is the regular army's attitudes to part-timers. It is as if, 60 years after their establishment, Australia's regular forces still fear that effective reserves are a threat to the rationale for maintaining a full-time regular army. Only strong leadership from government and within the army will shift this mindset.³⁴

How many battalions do we need? This is not a precise science. If the government is willing sharply to limit its objectives in Australia's immediate neighbourhood, accepting that we will not be able to use the ADF to respond to major crises, it could stick with eight battalions. If it wishes to sustain the kind of role that John Howard and Kevin Rudd have claimed for Australia in our neighbourhood, then I would venture the estimate that 12 battalions is the minimum. How should they be equipped? Heavier capabilities like tanks and medium artillery should not be a priority, and might best be entrusted to the reserves. Large numbers of lighter protected vehicles like Bushmasters and Australian Light Armoured Vehicles (ASLAVs) are a priority, and so is the agile, flexible firepower provided by armed helicopters and portable precision-guided munitions. Clearly, these forces need the transport, logistics and support infrastructure required to sustain extended operations in remote and underdeveloped environments, but at the operational tempo characteristic of stabilisation operations rather than the much more demanding tempo of high-intensity continental conflict these could be cost-effectively contracted to commercial providers in many circumstances.

Finally, we should mention the priority for amphibious capability. In the 1970s and 1980s, when the army was built to fight on Australian soil, there was little need for it to deploy by sea. But in the 1990s, as Australia's regional role expanded, investment in amphibious capability grew too. The priority was to ensure that light forces could be moved

swiftly around the Southwest Pacific, and be supported in operations against light adversaries like insurgents. But in 2003, during the brief heyday of the Bush Doctrine, the Howard Government made some major decisions which would only make sense if Australia placed priority on capability for amphibious assault against highly-capable conventional forces. It invested well over \$2 billion in two very large amphibious ships — LHDs. Designed for major assaults, they are much bigger than required for stabilisation operations, which can be as effectively and more cheaply supported from ships half the size. Buying more of such smaller ships would make better sense, because low-level amphibious support and lodgement is a priority, whereas high-level amphibious assault is not.³⁵ In higher-level conflicts Australia could not project significant strategic weight by launching our small army on amphibious operations against major adversaries. In lower-level operations, a larger number of smaller ships would suit us much better. If the government is serious about cost-effective defence, it will review the LHD project before too much steel is actually cut, and look at building more smaller ships, including fast catamarans, instead.

Navy

A navy focused on achieving the government's long-term strategic objectives would be built primarily to play a cost-effective part in maritime denial operations against highly capable adversaries, either alone in Australia's closer region, or with allies in the wider Asia-Pacific. That means a navy designed for what the naval strategists call 'sea denial'. Let's examine this concept. Sea denial aims to prevent an adversary using the sea for his purposes, but it does not aim to secure the sea for one's own purposes. That more ambitious goal is called 'sea control' — the ability to operate surface ships without unacceptable threats from an adversary. Ambitious navies like to aim for sea control, which is the *raison d'être* of conventional surface fleets. But sea control is hard to do against a capable adversary — much harder than sea-denial — and it will become much harder still over coming decades, as many countries, including China, increase their sea-denial capabilities.

In fact, even the US may well lose the ability to achieve sea control in the Western Pacific in the face of Chinese sea-denial capabilities. On present trends, Australia will soon have no chance of achieving sea-control even in its own immediate neighbourhood against a concerted sea-denial campaign by a major Asian power. Fortunately, to achieve our strategic objectives through maritime denial operations, Australia does not need to achieve sea control, but only sea denial. That means it makes no sense for Australia to build forces optimised for sea control.

This has big implications for the navy. Within the Balanced Force, the navy's fleet has developed in a rather haphazard fashion, without coherent strategic or operational rationale. The result is a mix of sea-control and sea-denial assets. The surface fleet consists of a reasonable number of small warships that have the capacity to exercise a degree of sea control against the very weak naval and air forces of Indonesia. The rationale for seeking to achieve such sea control has never been established, beyond postulating a strategically-dubious need to assert right of passage through the Indonesian archipelago. The navy's surface ships have almost no capability to operate independently against the more capable forces of a major Asian power and little capacity even to contribute to a coalition force.³⁶ The six Collins submarines provide a potent sea-denial capability able to operate anywhere in the Asia-Pacific against any adversary, but their small numbers preclude them having a substantial strategic impact. With a relatively large number of relatively incapable warships, and a very small number of very capable submarines, the fleet reflects the defects of the Balanced Force at its worst.

In future the overriding aim of our naval forces should be to help deny the sea approaches to Australia and our close neighbours to hostile forces, and to contribute to larger coalition sea-denial operations further afield in the Asia-Pacific. The consequences for the navy's force structure are stark. Abandoning sea control for sea denial means a decisive shift away from a navy focused on surface warships to one which gives a strong priority to submarines. Surface ships are sea-control platforms, both because they are the most effective way to establish sea control, and because they require sea control to be able to operate safely. This poses an intense dilemma for surface warship operations: most of their

effort is devoted to defending themselves, by attempting to establish the sea control required for their own survival. And over coming decades, as air and submarine capabilities in the Asia-Pacific improve, this will become ever harder, leaving surface ships little time and capacity to do much else.

This does not mean that the navy should abandon surface warships altogether. The regional stabilisation tasks which are central to the army's mission have implications for the navy too. We need to be able to project modest levels of naval power in our close neighbourhood to support land forces, and for that we need a fleet of small warships. As it happens, the ANZAC-class ships built in the 1990s are well suited to this role. They also provide useful contingents for low-level naval operations in the Gulf and elsewhere. Maintaining a fleet of 8-12 ANZAC-size ships, and taking reasonable steps to improve their anti-submarine warfare capabilities, makes good sense. Planning to replace them with a much more capable and expensive ship would not.

Tougher questions face the government over the project they have inherited to build three Air Warfare Destroyers (AWDs) for over \$8 billion. Their cost is driven by systems to defend themselves and other ships against relatively high levels of air attack. It is a risky project, so these systems may not work, but even if they do the ships will remain very vulnerable to submarine attack, in an era when submarines seem sure to proliferate throughout the region. Ten years from now it seems unlikely that any government would risk putting the AWDs to sea against a capable submarine-equipped adversary. Moreover, there would be little reason to, because they would have no cost-effective role in sea-denial operations. Indeed, their only clear function would be to try to protect the LHDs and their precious cargo of soldiers. But in the kind of high-level conflict in which the AWD's expensive defences would be of any use, the risks to both escort and amphibious ships from submarines would most probably be considered prohibitive, and the strategic value of the tiny land forces they could deploy and sustain would be negligible. Thus the AWDs have no serious strategic purpose which remotely justifies their expense.³⁷ We should hope that the government does not agree to buy a fourth AWD on top of the three

already on order. Indeed, it is not too late to cancel the whole project, and invest instead in more submarines.

Submarines are the core of an effective naval sea-denial capability, because they have a formidable capacity to sink ships, while being themselves very hard to find. They have many offsetting disadvantages. They are little use for anything except sinking ships, and thus do not contribute to lower-level operations. They travel slowly and need a lot of luck and skill to find their targets. They are expensive and demanding to build and operate. But they offer massive asymmetrical advantages to relatively weak naval powers against strong ones. They can move throughout the region from bases in Australia, and operate with relative impunity close to the territory, and under the airpower, of an adversary. So they provide critical operational options to impose high costs and risks on an adversary at long distance.

These reasons led Australia to make a major investment in world-class submarines when we built the six Collins boats in the 1980s and 1990s. Despite some real problems, they have matured to become a very capable boat. But the first Collins will reach the end of its service life in 2025, and decisions will be made soon about replacement submarines. This is one of the most important defence decisions the present government will face over the next decade. There are lively and important debates underway about the size and capability of the new boats, but the really critical question is about numbers. Even if well maintained and fully manned, a fleet of six boats will have only four or five in service at any one time, and the arithmetic of transit and recuperation times means that even in major conflict Australia would never have more than one or two submarines on station in the most important potential target areas. This is not a strategically effective force in the circumstances that Australia might well face in coming decades.

How many submarines do we need in future? At this point the logic of our defence-policy argument about the implications of Australia's changing strategic environment brings us to conclusions which are unsettling, but inescapable. If Asia's rise transforms Australia's strategic risks, and we believe that Australia should be able to protect its interests as that transformation unfolds, then some of our capability

needs will be transformed too — especially those that are most critical to the key operational concept of maritime denial. It is hard to avoid the conclusion that Australia will need a lot more submarine capability in future. In my view, Australia should soon start steadily to expand the submarine force to 12 boats, and eventually to 18. These numbers are startling at first glance, but they reflect a new and very different force structure focused on new and more demanding strategic risks.

The government appears to understand some of this, and may well propose a gradual expansion of the submarine fleet, but they will probably want to take it slowly. One plausible idea, for example, would be to launch six replacements as the six Collins-class boats pay off, and then build another three or six boats after that. But assuming one boat is launched every 18 months, Australia would not get its seventh operational submarine until 2035 and its 12th around 2042. We might need them long before then. A much better approach would be to build a new class of six boats between now and 2025, based on the Collins design. Then build replacements for the six Collins, and then another six boats for a total of 18.

Air Force

The government's choices in the new White Paper about the future of air force capabilities are simpler, but not easier, than those concerning the other two services. For the navy and the army, today's Balanced Force reflects deep uncertainties about the operational purposes those services are meant to fulfil. For the air force the operational purposes are clear and agreed, but the implications for our capability are intimidating. The operational concept of maritime denial makes well-understood demands on air capabilities. First, they need independently to be able to secure command of the air over Australia's maritime approaches and the approaches to Australia's immediate neighbours, and to strike targets at sea and on land within our wider maritime approaches. Secondly, they need to be able to deploy substantial forces to undertake the same kinds of operations as part of a coalition in wider Asia-Pacific contingencies.

The problems begin when we consider what that requires.

Qualitatively, the air force must be able to do all these tasks against the kinds of forces that China and other Asian major powers will develop over coming decades. Quantitatively, it must be able to achieve them independently against the scale of forces that a major power like China could deploy and sustain into Australia's neighbourhood, as well as to send large enough forces to make an operationally effective contribution to a US-led coalition in a major Asian crisis. These constitute the twin benchmarks which Australia's combat air capabilities must meet. A lot more is involved in these capabilities than the combat aircraft themselves, but the government's choices about the future of the air force will be framed by the decisions it makes about the replacements for the F-18 and F-111 fleets, and that is what we will focus on here.

Both the quality and the quantity of new aircraft deserve careful thinking. The Howard Government's adoption of more ambitious strategic objectives in 2000 drove the decision to replace the F-18s and F-111s with fifth-generation aircraft — the Joint Strike Fighter. As we have seen, the JSF was expected to restore a margin of superiority over potential major-power aircraft that was wide enough and durable enough to provide viable strategic options against forces like China's for decades to come. Since then the picture has become more complex. First, Chinese capabilities have improved faster than expected, and it is only prudent to assume that this trend will continue. Several factors are at work here: the PLA has proved better than expected at exploiting the Russian systems bought since the early 1990s, the Russians are upgrading their systems faster than expected, and China's indigenous capacity to develop sophisticated new systems of its own has increased faster than expected too. Some of the same can be said of other major Asian powers also.

Secondly, the JSF may not be as good as we hoped. A review conducted by the new government early last year affirmed the JSF as the best option now available, but that is unlikely to be the end of the matter. If the JSF's costs grow, if its capability does not meet expectations or if delivery lags, close attention will have to be paid to other options. There is no chance of resolving any of these issues in time for this year's White Paper, and it would be foolish to try. The government should, however,

make clear its determination to acquire a fleet of combat aircraft that can meet the benchmarks identified above, keep its options open about how best to do this, and commit funding to acquire whatever types of aircraft are required, in the numbers needed.

The current plan is to buy about 100 JSF. There is nothing sacred about that number. It was determined by simple addition: 71 F-18s plus about 25-odd F-111s equals about 100. In 2000 that looked like a lot, but not today. Australia's air combat forces need to be able to do many different things in many different places at once, and they need to sustain operations for months, if not years. Against highly-capable adversaries they would take serious losses. Much more careful study is required to determine how many aircraft or what types we should buy. In this year's White Paper the government should commit itself to do that work, recognising that the arbitrary figure of 100 aircraft is almost certainly too low, and foreshadow long-term defence funding sufficient to acquire twice that number. Again, this number of 200 fifth-generation combat aircraft might seem surprising; like the submarine numbers discussed earlier, it implies a different approach to developing the ADF from that which we have been used to for many decades. No one should be surprised that fundamental changes in our strategic circumstances require fundamental changes in our force structure. Nor should they be surprised if they have big implications for the national budget.

Chapter 6

Money

The force-structure choices set out in the previous chapter bring us back to the basic question of defence policy that we sketched in Chapter 1: how to balance our perceptions of strategic risk against our willingness to spend money? A Defence White Paper is, above all, an opportunity to reconsider that question. In the light of issues we have canvassed so far, do we choose risk or cost?

A lot of money

Today Australia spends about \$22 billion per year on defence. By most standards that is a lot of money — it's over \$1000 for every person in the country, and it has grown by over 3% per annum for the last 10 years. But viewed another way it is not that much. It is 2% of Australia's GDP. Looking at defence spending as a share of GDP can be misleading, but it does provide a basis for comparison with other places and other times. Look at other times first. In Australia, defence has held steady at around 2% of GDP (in fact between 2.1% and 1.8%) for the last 20 years.³⁸ But that is lower than at any time since before World War II. Defence spending stabilised at that 2% after 20 years of gradual decline from about 3% of GDP in 1970. Before then, in the 1950s and 1960s, it averaged 3.2%. And even in the 1980s it averaged over 2.3%. So our

defence spending as a share of GDP remains well below historical levels. This defence-spending trajectory is easily explained, of course. In the 1950s and 1960s Australia perceived distinct and substantial strategic risks, and spent money in response. After 1970 those risks seemed to ease, and slowly, in response, defence spending fell too until about 1990. Then over the 1990s and 2000s a gradually increasing sense of strategic risk halted the decline, but was not sufficient to reverse it.

This is a good way to frame the defence-funding choices which the government faces in the new White Paper. Today ministers are fixated on the huge fiscal consequences of the global economic crisis, which for once make the defence budget look like small change. It will be hard for ministers to step back from the sea of red ink flowing over the forward estimates and consider defence funding in a 10 and even 20-year timeframe, but it is essential that they should. The contemporary fiscal situation is only marginally relevant to the big decisions that are needed about the shape of our future armed forces, because those decisions will be implemented and paid for 10 and 20 years from now. The big question is not what defence should get in the 2009-10 budget. It is whether the government should decide to reverse the long-term trend and begin to build defence spending as a share of GDP again, as Australia's strategic risks grow. The argument presented in this paper explains why the choice is so stark: we cannot afford the capabilities to achieve the objectives that would help us manage emerging strategic risks at 2% of GDP.

We can explore this issue from another direction by looking at what other countries do. The middle range for defence/GDP ratios is around 2%. What kinds of countries spend more? Mark Thomson has observed that they fall into a few clear categories. There are the nuclear-armed major (and former major) powers. There are the countries that face clear and imminent strategic threats, like Israel and South Korea. And there are countries which live in complex neighbourhoods and face substantial but strategic risks short of imminent threat, and want armed forces that can make a real contribution to managing those threats. The countries that spend 2% of GDP or less either live in stable regions with low strategic risks, or have decided from necessity or choice not to

build forces that can do much to manage the risks they may face. Other than Japan, no country that faces serious strategic risk and expects its armed forces to help manage that risk spends as little as 2% or less of GDP.³⁹

Not enough

Mark Thomson's work on the long-term drivers of Australian defence spending neatly shows the deeper trends at work.⁴⁰ He has both good and bad news. The good news is that for the next 40 years or so Australia can afford to maintain the kind of force we have today — the Balanced Force, kept more or less up to date — by spending about the same share of GDP as we spend today. The bad news is that this is all we can expect to do: substantial increases in the strategic weight of our forces will cost substantially more than 2%.

We should not be surprised at this. It reflects deep, durable trends in Australia's international position, specifically its relative strategic potential, by which I mean the basic capacity to build and maintain armed forces. Different countries draw their strategic potential from different sources: some from huge populations, some from strong economies, some from exceptional technologies or the superior training and élan of their people, and some from favourable geography. For Australia, the most important of these has been our relative economic strength, which has made up for our small population and allowed us to exploit the advantages offered by geography. We tend to underestimate how much of an advantage this has been, and to overlook how quickly it is eroding. When the 1987 White Paper consolidated Australia's post-Vietnam defence posture and entrenched the Balanced Force, ours was the second-largest economy in Asia after Japan: larger than China's and larger than India's. How remote that seems today; how swiftly the balance of strategic potential has shifted over the past 22 years, and how much further it might shift in the next few decades. This really puts our strategic predicament in perspective: the combination of declining relative economic weight and increasing strategic risk present an inescapable choice between spending more money and accepting more risk.

On the other hand there is no need to be fatalistic. While it would be hard for Australia to build and sustain forces to achieve the kinds of strategic objectives we have been discussing, it is not impossible. For a start, we have enough people for the kinds of forces we need. Recruitment and retention are endemic problems in the management of our forces, but that does not reflect any underlying demographic limitations. Throughout the next half-century there will be about two million Australians between 18 and 25. On past trends, we need to recruit a little over 100 people a year for every 1000 people in the ADF. That means we need about 6000 recruits a year to maintain an ADF of 50,000. To sustain a larger force of say 75,000 would mean finding 9000 people each year from a pool of two million. That cannot be too hard, nor is there any reason to think that among that large pool we could not find the qualities required for the pilots, submariners and soldiers of the future. If recruitment limits our ability to build the kinds of forces proposed in the previous chapter, mismanagement and not demographics will be to blame.

A more critical limit would be technology. As long as we have assured privileged access to US technology and support in operations, then this problem is manageable. If that assurance fades, as it might, Australia will face some very tough questions. Could we maintain the kind of regionally-competitive air and naval systems which our operational priorities require on our own? The experience of recent decades is highly discouraging. Australia has a poor record in developing and maintaining the technological expertise needed to buy, build and operate sophisticated military systems. Decades of policymaking have failed to address this problem, or even grapple with it effectively, in part because the interests of stakeholders can so easily elbow aside the long-term strategic issues at stake. A lot more work is needed here.

But the biggest constraint would be money. The key question of course is how much? Andrew Davies has calculated that to build and maintain a force somewhat like the one suggested in the previous chapter would cost around 2.5% of Australia GDP over the longer term.⁴¹ Such forces are not unaffordable, and indeed they might cost only a little more than we were spending in the 1980s and rather less than our parents spent in the 1950s and 1960s.

Of course, any long-term increase in defence spending carries serious costs for the economy. Defence spending, like any other spending, has a multiplier effect, but it does not constitute productive investment, in the critical sense that it does not contribute to the creation of further wealth. Defence spending is more or less pure consumption, and to the extent that defence spending diverts money from investment, it carries a large and enduring opportunity cost which governments, and voters, should not forget about — and won't.

Having said this, there is not much doubt that we could afford this kind of long-term investment in defence, in the sense that spending at the level of 2.5%, or even a bit more, would not undermine our long-term economic prospects. We spent more in the boom decades of the 1950s and 1960s, and many highly successful countries also spend more. In other words, Australia could afford to spend this kind of money on defence. But the fiscal implications would be substantial, and they could only be sustained with the electorate if successive governments were willing to explain in detail why it was needed and how it is being spent.

Efficiency

Ministers would hardly be human if they did not look for ways to avoid doing this. The most common tactic is to assert that the forces we need can be built by improving efficiency rather than spending more money. This has been a constant refrain for decades. The Rudd Government, like all its predecessors, places great hopes on their ability to bridge the gap between current budgets and future needs through efficiency reforms. Their hopes that their defence-policy dilemmas could be dissolved in this time-honoured way were reflected in their decision to incorporate a dozen or more Companion Reviews into the White Paper process, supported by a major external consultants' report. These reviews have examined almost every major aspect of the way defence does business to find ways to save money, and they claim to have succeeded. It would be unsurprising if the government announced that, as a result, Australia can build the forces it needs without spending more than we have already planned to do.

I am sceptical, for two reasons. First, Australia's defence effort today is extremely inefficient, but fixing those inefficiencies will not be sufficient to bridge the gap between current spending and future needs. Secondly, I doubt that the government's defence reform agenda will deliver significant efficiencies of any kind. To explain this scepticism, it helps to go back to basics. The efficiency of Australia's defence effort depends on two quite separate issues. The first is whether we are buying the right capabilities — the ones that can achieve our strategic objectives most cost-effectively. The second is whether those capabilities themselves are being delivered as cost-effectively as possible. When people talk about defence efficiency, they usually focus on the second question, but the first is almost certainly more important. A lot more money is wasted by building the wrong capabilities than by building the right capabilities inefficiently.

This means that the first essential step to improving efficiency in defence is to make sure we are developing the right kinds of forces in the first place. And yet these decisions are made with less care and diligence than many others in defence — as the decision to buy the Air Warfare Destroyer shows. There are many reasons for this, but they all come down to leadership. No one in defence or the government accepts responsibility to ensure that good decisions are made about these biggest and most important issues. Ministers assume that Russell Hill knows best; senior officers assume that their staffs have worked it out; and the staffs assume that their superiors have worked out how it is all supposed to fit together. Major decisions worth billions of dollars and with immense opportunity costs are made without anyone knowing exactly why. Any serious defence efficiency program must start by addressing this problem, to which there is only one solution: direct and forceful leadership from ministers. They must themselves take responsibility for ensuring that these momentous decisions are made with due diligence. The new White Paper will itself be a test of this: will ministers be content to sign off on a Defence Capability Plan sent over from Russell Hill, or will they take the time and trouble needed to take the decisions themselves?

Of course this is not the only problem. It is widely known that defence remains deeply inefficient at delivering capability, and most

observers believe that it is easy to find the waste and fix it. This is what the Pappas Review and the White Paper's Companion Reviews are meant to do. But one should always look twice at claims that large, sustained, painless savings are there for the asking. First, the orchard has already been picked over. Throughout the 1990s, under both Labor and Liberal governments, defence was subject to intense and at times stringent scrutiny. Some important reforms were made, and they picked the low-hanging fruit. Some of that has grown back and can be harvested again, but much of the rest would require deeper changes which for one reason or another seemed too hard back then, and will often seem no easier now.

Secondly, large and sustainable efficiency savings are certainly possible in defence, but they won't be found at the margins. Strategically significant savings will not be achieved by staff cuts, travel freezes, supplier contract renegotiations or other easy measures. Nor will they be found by cutting the generals' entitlements to drivers and batmen. They can only be achieved by major changes in the way the organisation does core business. Not even defence is so badly managed that there are large savings to be made in core business process without major changes to the way defence performs the biggest, most important and therefore most sensitive elements of its business. The way defence does things often seems strange to outsiders, but every element of defence's core business processes is vigorously supported by plausible arguments which cannot lightly be dismissed. Reforms like that can only be made by people who understand the business well enough to judge the arguments, balance the risks and benefits of radical change, identify the most cost-effective solution, and impose their decision on a reluctant organisation.

This is not a job for consultants. It requires much closer engagement with the detail of defence business than is ever possible from external reviews. Like better capability decisions, more efficient capability delivery must come from the leadership of the defence organisation itself. For many years now there have been deep doubts about how well defence is led — by ministers, civilian officials and military officers alike. Defence will only become more efficient when it is better led, and that is ultimately a question for the prime minister. Until he addresses

this, and delivers decisively better defence leadership, we should expect little of any efficiency reforms. And even if better leadership transforms Russell Hill, the hard choice will remain: do we spend more on defence or do we allow our strategic risks to grow?

Epilogue

A political question

Every big policy question is also, equally, a political question. Politics will frame the policy choices we have explored here, and shape the decisions in many ways. This will not make them easier. Last year Ross Garnaut wondered whether Australia's political processes were capable of dealing effectively with the challenge of climate change. It may be 'too hard for rational policy-making in Australia', he suggested. 'The issues are too complex, the vested interests surrounding it are too numerous and intense, the relevant timeframes are too long'.⁴² The same could very easily be said of the strategic challenges which Australia faces as the foundations of our security in Asia shift beneath our feet. It is not clear that our political process can produce an effective response. Most people understand that China's rise is transforming Asia, but few acknowledge the obvious consequences for Australia's security. It is hard, especially for a Labor government, to cast any doubt on the permanent centrality of the US alliance to Australia's security. It is hard to acknowledge the strategic risks that Australia might face in Asia as China grows. It is hard for any government facing an intense financial crisis to foreshadow big increases in defence spending for decades to come.

Still we can take comfort from history. Australia has faced major strategic change before. In the late 19th century, men like Alfred Deakin recognised that Britain's decline affected Australia's security, and in

response they created the Federation, and sought a new relationship with America. After 1945, European power in Asia was destroyed and a new Asia of independent states emerged. Men like Percy Spender and Richard Casey created a new Australian foreign and strategic policy to address this new situation, and new military capabilities to match. After the collapse of Forward Defence in the late 1960s, leaders like Malcolm Fraser saw clearly that a major new approach would be needed in the wake of the Guam Doctrine and Britain's final withdrawal East of Suez.

Kevin Rudd and his colleagues face a comparable set of challenges today. They will need to decide whether, in the Asian century, Australia seeks to command the independent strategic weight of a middle power, or whether we will fall back into the ranks of small powers that lack the ability to meet threats with armed force if necessary. It is an old and true maxim of defence policy that there are limits to Australia's defence capacity and influence, but the extent of those limits are — to some degree — up to us as a community, and the government on our behalf, to decide.

Notes

- ¹ This paper has benefited from conversations and debates over many years with friends and colleagues in Australia's strategic policy community, and from specific comments on drafts from many of them.
- ² Hugh White, *Beyond the Defence of Australia*. Lowy Institute Paper 16. Sydney, Lowy Institute for International Policy, 2006.
- ³ Coral Bell, *The end of the Vasco da Gama era*. Lowy Institute Paper 21. Sydney, Lowy Institute for International Policy, 2007.
- ⁴ See for example Kevin Rudd, *Address to the RSL National Congress*, Townsville, 09 September 2008: http://www.pm.gov.au/media/Speech/2008/speech_0468.cfm.
- ⁵ Hugh White, *The new Defence White Paper: why we need it and what it needs to do*. Lowy Institute Perspective. Sydney, Lowy Institute for International Policy, April 2008: <http://www.lowyinstitute.org/Publication.asp?pid=793>.
- ⁶ Some believe that the best response is not to try. I have addressed this belief in *The new Defence White Paper: why we need it and what it needs to do*. pp 3-4.
- ⁷ Department of Defence, *Defence 2000: our future defence force*. Canberra, Commonwealth of Australia, 2000.
- ⁸ The extent to which defence planning of this era excluded consideration of Asia's longer-term power dynamics is well-illustrated by the sophisticated and nuanced way the issue was raised and dismissed in the Dibb Review. Paul Dibb, *Review of Australia's defence capabilities*. Canberra, AGPS, 1986. p 175.

- ⁹ See especially the Government's National Security Strategy, which gave a measured and realistic description of terrorism as a serious but not epoch-making threat. Kevin Rudd, The First National Security Statement to the Parliament, 4 December 2008: http://www.pm.gov.au/media/Speech/2008/speech_0659.cfm.
- ¹⁰ Before its economy was devastated by the East Asian Financial Crisis of 1997, Indonesia's GDP was expected to exceed Australia's by 2005. Department of Foreign Affairs and Trade, *In the national interest: Australia's foreign and trade policy White Paper*. Canberra, Commonwealth of Australia, 1997. p 23.
- ¹¹ Hugh White, The new Australia-Indonesia strategic relationship – a note of caution, in *Different societies, shared futures: Australia, Indonesia and the region*, John Monfries (ed), Singapore, Institute of South East Asian Studies, 2006. pp 41-53.
- ¹² Hugh White, Four decades of the defence of Australia: reflections on Australian defence policy over the past 40 years, in Ron Huiskens and Meredith Thatcher (eds.), *History as policy: framing the debate on the future of Australia's defence policy*. Canberra, ANU E Press, 2007. pp 163-187.
- ¹³ See for example Kevin Rudd, *Address to the RSL National Congress*, Townsville, 09 September 2008: http://www.pm.gov.au/media/Speech/2008/speech_0468.cfm.
- ¹⁴ Those who are sceptical of this might like to look at an elegant essay by Ian Castles at www.eastasiaforum.org/2008/12/03/ppp-is-not-basically-a-con/.
- ¹⁵ For more detailed analysis of the evolution of Asia over coming decades see Hugh White, Why war in Asia remains thinkable. *Survival*, Vol. 50 No. 6, 2008-09. pp 85-104.
- ¹⁶ Note that this is a much narrower and more specific concept than the broad idea of a national interest. Australia of course has national interest of many kinds on many places, but we would not want to build armed forces to protect them all. The narrow concept of strategic interest proposed here is intended to identify the subset of national interests which we might want to build forces to protect.
- ¹⁷ A fuller account of the development of the conceptual and historical basis of the treatment of strategic interests and objectives in the 2000 White Paper can be found in Hugh White, Strategic interests in Australian defence policy: some historical and methodological reflections. *Security Challenges*, Vol. 4

- No. 2, 2008. pp 63-79: <http://www.securitychallenges.org.au/ArticlePages/vol4no2White.html>.
- ¹⁸ Department of Defence, *Defence 2000: our future defence force*, Chapter 4. The formulation given here in some ways paraphrases the words of *Defence 2000*, to improve their clarity.
- ¹⁹ The concept of 'strategic aims' articulated here corresponds to the concept of 'national strategic objectives' used in White, Strategic interests in Australian defence policy: some historical and methodological reflections. pp 66-67.
- ²⁰ *Ibid.*, Chapter 6.
- ²¹ This deficiency was clearly identified by Des Ball and J.O. Langtry in *Controlling Australia's threat environment: a methodology for planning Australian defence force development*. Canberra, SDSC, 1979, and they made a valuable and interesting, but in the end unpersuasive, effort to remedy the deficiency, focusing on concepts of deterrence.
- ²² By 'maritime' I mean here both air and naval operations at sea, and against forces that can operate at sea. Maritime denial is a complex concept, but in Australia's case it has two critical elements: sea denial – the ability to prevent others traversing the sea especially with surface ships – and air control the ability to both deny the use of the air over the sea to others and to use it oneself. We would pursue local air control rather than just air denial because we would (probably) need to use the air ourselves to achieve sea denial. Note also that in some circumstances land forces could have a critical role in maritime denial operations, although always subordinate to the maritime operations themselves. On some related issues see Stephan Freuhling, Golden window of opportunity: a new maritime strategy and force structure for the Australian Navy. *Security Challenges*, Vol. 4 No. 2, 2008. pp 81-104.
- ²³ Paul Dibb, *Review of Australia's defence capabilities*. Canberra, AGPS, 1986. pp 49-50.
- ²⁴ Department of Defence, *The Defence of Australia, 1987*. Canberra, AGPS, 1987. p 31.
- ²⁵ Interestingly, some elements of this approach could be discerned in the Howard Government's last defence policy statement, the Defence Update of 2007. Department of Defence, *Australia's national security: a defence update 2007*. Canberra, Department of Defence, 2007. pp 25-9.

- ²⁶ Personal communication with Maj Gen (Retd) Jim Molan.
- ²⁷ Hugh White, *Beyond the defence of Australia*.
- ²⁸ Allan Behm, *Strategic tides: positioning Australia's security policy to 2050*. Kokoda Paper No. 6, November 2007. p 75.
- ²⁹ Ross Babbage, Learning to walk amongst giants: the new Defence White Paper. *Security Challenges*, Vol. 4 No. 1, 2008. pp 13-20.
- ³⁰ Babbage's arguments might lead one to consider whether nuclear forces might not provide the kind of deterrent he is proposing. I doubt it. A nuclear deterrent would suffer from the second of the two deficiencies I have ascribed to his conventional proposals, as well as raising many other higher problematic considerations. A minimum nuclear force would not be credible in deterring any but the most extreme strategic threats, and would therefore only work as an adjunct to, not an alternative to, substantial conventional forces that could credibly and effectively respond to lower-level threats.
- ³¹ As Stephan Freuhling has pointed out, much depends here on the scale of forces that a major power could deploy and sustain close to Australia, and that in turn would depend not just on distance but on what other strategic risks they faced. To simplify somewhat we can say that Australia could not hope to face alone a major power that enjoyed hegemony in Asia, but could arguably match the forces that a major power could commit to our neighbourhood if it faced serious strategic competition elsewhere in Asia. Hence the importance in Australia's interests of avoiding the emergence of an Asian hegemon.
- ³² I have gratefully borrowed this felicitous phrase from Andrew Davies.
- ³³ Much has been made of the idea that high-level combat, low-level counterinsurgency and peaceful reconstruction can all take place simultaneously in what has been called the Three Block War. I find this unpersuasive. Stabilisation operations can include sharp engagements against relatively well-armed adversaries, but there is no comparison between that and full scale conventional operations against a major opposing army.
- ³⁴ Andrew Davies has raised important issues about ADF Reserves in, Stepping up: part-time forces and ADF capability. *ASPI Strategic Insight*, No. 44, December 2008.

- ³⁵ These questions are addressed at greater length in Hugh White, *Buying air warfare destroyers: a strategic decision*. Lowy Institute Issues Brief. Sydney, Lowy Institute for International Policy, June 2005.
- ³⁶ Nor, one might note in passing, to defend Australia's sea-borne trade. Last year Kevin Rudd [http://www.pm.gov.au/media/Interview/2008/interview_0470.cfm] suggested that a core role for the navy over coming decades would be the protection of commercial shipping from attack by Asia's growing navies. It is not clear that 18th century style commerce-raiding is a real strategic risk in the current century, but if it is no Australian Navy could protect our seaborne trade by the defensive assertion of sea-control around convoys. The only military response available to us would be retaliation against the sea-borne trade of the adversary. And for that, submarines would be the best option.
- ³⁷ Hugh White, *Buying air warfare destroyers*, which addresses inter alia the argument that AWDs could be justified by their capacity to provide ballistic missile defences to deployed forces.
- ³⁸ These and other figures in this section are derived from the *ASPI Australian defence almanac 2006-7*. pp 86-89.
- ³⁹ Japan is of course the obvious counterexample: for reasons that are equally obvious it does not invalidate the generalisation I am advancing here.
- ⁴⁰ Mark Thomson and Andrew Davies, Strategic choices: defending Australia in the 21st century. Strategic Insights, No. 45. Canberra, ASPI, 2008: http://www.aspi.org.au/publications/publication_details.aspx?ContentID=193&pubtype=6
- ⁴¹ Ibid.
- ⁴² Quoted in *The Canberra Times*, Monday 30 June 2008. p 12.

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