AUSTRALIA’S DEFENCE EXPORT POLICY

by

STEPHEN J. BROADBENT
BA(Hon) ANU

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December 1996
DECLARATION

I declare that this thesis is my own work and that all sources used have been acknowledged.

Stephen J. Broadbent

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ABSTRACT

During the mid-1980s the Australian Government changed Australia’s defence export policy from one which restricted defence exports, to one which encouraged them. Part of the reason for this change can be found in Australia’s move towards a more self-reliant defence posture, with its associated emphasis on increased defence industry. The other factor which promoted this change was the rise of neo-realism as the dominant discourse within the Government and parts of the security community. The rise of neo-realism can also be seen in the economic-rationalist policies pursued by the Government. By the early 1990s the chief justification for Australia’s defence export policy had become its perceived role in facilitating Australia’s engagement with Asia. This engagement with Asia was largely prompted by the perceived importance of Asia to Australia economically.

The late 1980s and early 1990s saw both the manifest failure of the Government’s defence export policy along with significant critiques and public protest regarding that policy. By the mid-1990s it was clear that the Government had ignored these failures, critiques, and protests, and was pursuing an almost unchanged course regarding its defence export policy. The only apparent change was a very slight change in rhetoric.

The most significant reason for the Government’s refusal to change its defence export policy was the Realist and neo-Realist values held by both it and the security policy-making community. These values emphasise the view that the State played the central and dominant role in International relations, that States must be
unified, the dominance of international over domestic politics; elitism; the need for stability and order; modernism; universalism and economic rationalism; alliances and threats; all of which encourage the defence export push. Criticism is not heeded because Realism and neo-Realism serve to close off the discourse to dissent and self-analysis and the emphasis on State actors de-legitimises non-state critiques of policy.

Australia’s policies of Self-reliance and Engagement with Asia are bound by the Realist paradigm which dominates the Australian Government and security community. The impact of neo-Realism has been to emphasise the economic element of Australia’s engagement with Asia and the need for cost recovery in the public sector, including defence industry. Defence exports are seen as playing an important part in developing military, economic, and political links with Asia, as well as being a way to increase the sustainability of defence industry and limit the extent of subsidy required from the Government. Neither Realism nor neo-Realism accepts the legitimacy of popular public participation in the decision-making process, nor do they accept the need for critical self-analysis. The dominance of Realism and neo-Realism in the Government and security community is illustrated by Australia’s defence export policy. The defence export policy has failed, been criticised by strategic analyst, attracted public protests, and violated Australia’s often-stated concerns for human rights. Despite this the Australian Government’s defence export policy remains virtually unchanged both in practice and in detail.
SUMMARY

During the late 1980s and early 1990s Australia’s defence export policy came under considerable criticism from academics and bureaucrats from the security community. The export policy also attracted public protests which culminated in the demonstrations surrounding the AIDEX ‘91 arms exhibition. This thesis sets out to firstly answer the question as to how the Australian Government responded to these critiques of its defence export policy, and secondly why it responded in the way that it did.

The thesis, which covers the period up to the end of 1995, argues that the Government responded to these critiques of its policy by slightly changing its rhetoric but not its policy. The reasons for this are the pro-export pressures the Government’s defence industry policy had created along with, more importantly, the Realist and neo-Realist theoretical framework in which the Government’s policy is set.

Chapter One of this thesis provides a brief history of Australian defence exports and defence industry. The chapter then outlines the Government’s changes to the defence export policy during the mid-1980s, before outlining some of the issues and problems these changes raised. In this chapter it is argued that during the 1980s the Australian Government changed Australia’s defence export policy from one of restraint to one of promotion. This change, however, did not have the desired result of substantially increasing defence exports. Despite this failure, and
the public protests concerning defence exports, the Australian Government was determined to pursue its policy of promoting defence exports.

Chapter 2 provides an overview of world trends in arms production and export. The chapter briefly describes the present situation in a number of the world’s major arms producing countries before analysing the particular dilemmas faced by the neutral nations of Western Europe, namely Sweden, Switzerland, Austria, and Finland. The chapter then turns to some issues of importance concerning arms export controls. In this chapter it is argued that most of the world’s arms producers face problems of over-capacity and shrinking demand, to which many producers and governments see defence exports as the solution. However, at present, demand for defence exports is declining and the export market has a glut of surplus weaponry. These pressures have on numerous occasions led to the subversion of defence export controls, even in the neutral countries of Europe which have strict defence export controls. It is also argued that many countries have faced similar defence industry problems to those faced by Australia and have adopted similar solutions, namely the promotion of defence exports.

In Chapter 3 it is argued that the key factor behind Australia’s defence export policy is the defence and foreign policy-making culture in which policy is made; a culture dominated by the Realist theory of the world. The chapter first discusses Realist theory before turning to the dominance of Realism in Australia and its impact on policy. It is argued that Australian Realists hold various assumptions about international relations and Australia’s place in the world. These include an emphasis on the role of sovereign States, the importance of State unity, the
dominance of international politics over domestic politics, the importance of military power and economics, the importance of alliances, a de-emphasis on non-government actors and a tradition of discouraging self-analysis or self-criticism. The rise of neo-Realism is also discussed.

The changes in Australia’s defence export and defence industry policies that occurred during the 1980s and 1990s were set in the context of more general changes to the public service, industry, and financial sectors. Chapter 4 provides an overview of these changes and the economic ideas behind them, often described as economic rationalism. The chapter argues that during this period the public sector under the Labor government underwent radical change, including the privatisation or corporatisation of various public sector bodies, and virtually continuous cost cutting and structural reorganisation. A new managerialism was introduced into the public service emphasising ‘productivity’ but at the expense of effective policy delivery and processes of consultation, review, and analysis. During the 1980s and 1990s free market theories dominated the thinking of governments, the public service, the media, and the public discourse. These policies were also an integral part of Australia’s increasing emphasis on integrating economically with Asia.

Chapter 5 analyses some of the major reasons for Australia’s defence export drive; namely Australia’s policy of defence self-reliance and its associated strategy of defence in depth, its economic motives, and Australia’s foreign policy orientation towards Asia and the associated conception of itself as a middle power. The chapter argues that while the policy of self-reliance began the change in Australia’s defence export policy, Australia’s engagement with Asia has increasingly become
its driving force. Australia’s policy of defence self-reliance led to the emphasis on developing our defence industries. However, the defence-in-depth strategy and its associated high-technology force structure meant that local requirements for equipment were too small to support local production, thus necessitating defence exports for viability. It was the push into Asia that gave a further boost to this strategy just when it seemed to be waning. By the 1990s this push into Asia, motivated by an economic rationale, had become the main force behind Australia’s defence export policy. This was to such an extent that the original rationale of defence self-reliance seemed to have been largely forgotten.

Chapter 6 describes how, during the late 1980s and early 1990s, Australia’s defence export policy was challenged by academics, bureaucrats, and by various forms of public protest. These challenges ranged from those set firmly within the Realist-Rationalist framework of the policy-making community to those which challenged many of the values of that Realist-Rationalist policy framework. The chapter details the various critiques and protests regarding Australia’s defence export policy, including the November 1991 AIDEX ’91 protests in Canberra. It argues that the events surrounding AIDEX ’91 and revelations about Australian defence exports around the same time focused considerable public attention and pressure on the Government’s defence export policy. There were also, over the late-1980s and early 1990s, a number of less radical critiques of the Government’s policy from academics, researchers and bureaucrats.

How the Government responded to the public protests, academic and bureaucratic critiques, and the near total failure of its defence export policy by even its own
criteria, is analysed in Chapter 7. The Government responded to the public protests by agreeing to a Parliamentary Inquiry into its defence export policy and responded to the failure of its defence export policy by initiating an inquiry by Roger Price, the Parliamentary Secretary to the Minister for Defence, into Defence Policy and Industry. The Government’s future policy direction was made clear in its Strategic Review 1993 and its ‘Defending Australia’ 1994 Defence White Paper. The chapter argues that the Government did not change its defence export policy despite the obvious failure of that policy, the public protests, and academic and bureaucratic critiques. No changes were made to the defence export control guidelines. The only apparent effect of the concerns over defence exports was a slight change in the Government’s rhetoric; but not the substance of its policy.

The fundamental reasons behind the Government’s response to the various critiques and protests, and the failure, of its defence export policy are given in Chapter 8. The fundamental reason for this response can be found in the dominant Realist/neo-Realist theoretical framework of the Government and the defence and foreign policy making community. Realism not only emphasises values such as the central and dominant role of the State, the need for unified States, the dominance of international over domestic politics, elitism, stability and order, modernism, universalism and economic rationalism, alliances and ‘threats’, all of which encourage the defence export push, but also closes off the discourse to dissent and self-analysis. To this neo-Realism has added a neo-classical economic perspective. It is for these fundamental reasons that the protests, critiques, and obvious policy failures of Australia’s defence export policy have effectively been ignored.
Australia's policies of Self-Reliance and Engagement with Asia are bound by the Realist paradigm which dominates the Australian Government and the security community. The impact of neo-Realism has been to emphasise the economic element of Australia's engagement with Asia and the need for cost recovery in the public sector, including defence industry. Defence exports are seen as playing an important part in developing military, economic, and political links with Asia, as well as being a way to increase the sustainability of defence industry and limit the subsidy required from the Government. Neither Realism nor neo-Realism accepts the legitimacy of popular public participation in the decision-making process, nor do they accept the need for critical self-analysis. The dominance of Realism and neo-Realism is illustrated by Australia's defence export policy. The defence export policy has failed, been criticised by strategic analysts, attracted public protests, and violated Australia's often-stated concerns for human rights. Despite this the Australian Government's defence export policy remains virtually unchanged in both practice and detail.
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<td>Australian Council of Trade Unions</td>
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<td>Australian Defence Industries</td>
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<td>AIDEX</td>
<td>Australian International Defence Equipment Exhibition</td>
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<td>ANU</td>
<td>Australian National University</td>
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<td>ANZUS</td>
<td>Australia, New Zealand, and United States security alliance</td>
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<td>Association of South East Asian Nations</td>
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<td>EC</td>
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<td>International Monetary Fund</td>
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<td>International Relations</td>
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<td>NATEX</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>PNG</td>
<td>Papua New Guinea</td>
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<td>R&amp;D</td>
<td>Research and Development</td>
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<td>RSL</td>
<td>Returned Services League</td>
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<td>SEATO</td>
<td>South East Asian Treaty Organisation</td>
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<td>SES</td>
<td>Senior Executive Service</td>
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<td>SDSC</td>
<td>Strategic and Defence Studies Centre (at ANU)</td>
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<td>SIDCDE</td>
<td>Standing Inter-Departmental Committee on Defence Exports</td>
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<td>Strategic Review 1993</td>
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<td>UN</td>
<td>United Nations</td>
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<td>US</td>
<td>United States of America</td>
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INTRODUCTION

During the late 1980s and early 1990s Australia’s defence export policy came under considerable criticism from academics and bureaucrats from the security community. The export policy also attracted public protests which culminated in the demonstrations surrounding the AIDEX '91 arms exhibition. This thesis sets out to firstly answer the question as to how the Australian Government responded to these critiques of its defence export policy, and secondly why it responded in the way that it did.

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neutral nations of Western Europe, namely Sweden, Switzerland, Austria, and Finland. The chapter then turns to some issues of importance concerning defence export controls.

Chapter 3 explores the defence and foreign policy-making culture in which Australia's defence export policy is made; a culture dominated by the Realist theory of the world. The chapter first discusses Realist theory before turning to the dominance of Realism in Australia and its impact on policy.

The changes in Australia's defence export and defence industry policies that occurred during the 1980s and 1990s were set in the context of more general changes to the public service, industry, and financial sectors. Chapter 4 provides an overview of these changes and the economic ideas behind them, often described as economic rationalism.

Chapter 5 analyses some of the major reasons for Australia's defence export drive; namely Australia's policy of defence self-reliance and its associated strategy of defence in depth, its economic motives, and Australia's foreign policy orientation towards Asia and the associated conception of itself as a middle power.

Chapter 6 describes how, during the late 1980s and early 1990s, Australia's defence export policy was challenged by academics, bureaucrats, and by various forms of public protest. These challenges ranged from those set firmly within the Realist-Rationalist framework of the policy-making community to those which challenged many of the values of that Realist-Rationalist policy framework. The
chapter details the various critiques and protests regarding Australia’s defence export policy, including the November 1991 AIDEX ‘91 protests in Canberra.

How the Government responded to the public protests, academic and bureaucratic critiques, and the near total failure of its defence export policy even by its own criteria, is analysed in Chapter 7. The Government responded to the public protests by agreeing to a Parliamentary Inquiry into its defence export policy and responded to the failure of its defence export policy by initiating an inquiry by Roger Price, the Parliamentary Secretary to the Minister for Defence, into Defence Policy and Industry. The Government’s future policy direction was made clear in its Strategic Review 1993 and its ‘Defending Australia’ 1994 Defence White Paper.

The fundamental reasons behind the Government’s response to the various critiques and protests, and the failure, of its defence export policy are given in Chapter 8. The conclusion reiterates the centrality of the Realist/neo-Realist values, as held by the security policy-making community, to Australia’s defence export policy.
CHAPTER 1

AUSTRALIA'S DEFENCE EXPORTS

During the 1980s the Australian Labor Government changed Australia's defence export policy from one of restraint to one of promotion. This chapter provides a brief history of Australia's defence exports and defence industry before outlining the Government's recent changes to the defence export policy and the issues and problems resulting from these changes.

Australia's defence exports have a relatively short history, only developing after World War II. Prior to this Australia produced few of the munitions needed by its Defence Forces; however, the worsening international situation during the late 1930s led the Australian Government to set about creating a substantial defence industry. The development of this industry, and especially aircraft production and shipbuilding, had to deal with opposition from British manufacturing interests worried about the loss of their near-monopolistic hold on supplying Australia's defence equipment. The onset of War, and in particular the deteriorating allied position, meant these British concerns were brushed aside. World War II, and in particular the Pacific War, led to a massive increase in the size and output of Australian defence industries. Most production was in smaller items such as ammunition and infantry weapons, although the most spectacular increase was in the aircraft industry. The building of these more complex defence products was, however, marked by production problems and delivery delays. The ship building industry also expanded, but concentrated on smaller units. Virtually all production
was for the Australian Defence Forces with only a small quantity supplied to Britain, the USA, New Zealand and India.

By late 1941 Australian production was still not sufficient to meet the Australian Defence Forces needs, even for basic items such as rifles. Australian production, once it gathered momentum, best suited the needs of the Army and by early 1943 basic items such as rifles, machine guns, artillery and machine gun carriers were being produced in sufficient numbers to meet Australian needs (Robertson, 1984:185-186). As regards the Navy, Australia produced no large warships, but rather concentrated its efforts on smaller vessels. Australian shipyards produced three destroyers, four sloops, eight frigates and sixty corvettes. Of the corvettes, four were exported to India while twenty were to be supplied to Britain but were commissioned into the Royal Australian Navy. With regard to the Air Force, Australia built over 3,000 aircraft during the war. However, almost half of these were trainers, and most of the others were inferior combat aircraft, such as the Wirraway (at least when used as a fighter). In 1939 Australia set out to produce the Bristol Beaufort bomber, envisaging that 90 would be built for Australia and 90 for Britain. By late 1941, however, only 10 had been built and it was 1942 before production problems were overcome. By then the onset of the Pacific War meant that Australia itself used virtually all the Beauforts produced. Australian efforts to produce the Mustang fighter and Mosquito light bomber were also beset by production problems and delays with only 18 Mustangs and 115 Mosquitos being produced by the end of the war (Robertson, 1984:188-191; Wilson, 1994:49-50, 98-99, 157-158).
The Post War Years

During the early post-war period, Australian defence industry policy was based on the assumption that the next war would be similar to World War II. While the fall of Singapore and Australia’s vulnerability during 1942 should have led to a more self-reliant security policy, Australia’s security planners instead believed that the war had shown Australia to be undefendable by Australian forces alone. They therefore set about integrating Australia into the Western security structure. Australian defence concerns were seen as identical to those of Britain and the United States and it was assumed that in a future conflict Australian forces would fight alongside these allied forces, as they had in World War II. The post-war period was marked by rapid demobilisation followed by a general decline in the defence industry, although the aircraft industry continued to develop until the mid 1960s. Much of Australia's defence industry was ‘moth-balled’, with little ‘active’ production, but with capacity maintained for large scale mobilisation. Most ‘active’ production was of smaller munitions although aircraft assembly and shipbuilding were also important. During the 1950s and 1960s Australia produced three destroyers and six frigates, although concerns over the slow rate of frigate and destroyer production led the Australian Government in 1962 to order three destroyers from US yards.

Australian defence research was linked very much to Western security concerns rather than being related to Australia's own security environment. In particular Australia participated in the Maralinga Nuclear Testing Program and Woomera
Rocket Program, both programs being run by Britain. Indigenous designed defence equipment tended to reflect these ‘Western’ concerns. Defence exports were generally high technology systems, in particular comprising rocket technology, for niche markets within the Western alliance. For instance, Australia designed and produced the Malkara anti-tank rocket specifically to meet British army requirements. While this weapon was purchased by Britain it was of little use in Australia’s region and the Australian army refused to purchase the weapon (Bellamy & Richardson, 1970:252). Australia also produced the Ikara anti-submarine missile and torpedo system, which was exported to Britain and Brazil. By far the most successful defence export was the Jindivik remotely controlled target drone produced by the Government Aircraft Factory, of which the British bought 268, the United States 42, and Sweden 10 (Wilson, 1994:120). The Australian Defence Forces showed a great deal of ingenuity in modifying foreign equipment to suit Australia’s local environment; for instance, Australia’s centurion tanks were modified to cope with the high dust levels found in Australia. The other major form of defence export was the provision of surplus equipment to South East Asian Nations. During the early 1970s, for instance, Australia provided surplus Sabre fighter aircraft to Malaysia and Indonesia, (Wilson, 1989:104-105) and Attack class patrol boats to Indonesia (Wilson, 1995:38) and Papua New Guinea. Increasingly during this period doubts were being raised about Australia’s capacity to produce defence equipment.
The 1980s and 1990s

By the early 1980s the Australian defence industry sector was in a poor state. There was little in the way of policy direction and, due to cost overruns and production delays, it had a well-earned reputation as being inefficient. Government armaments factories reflected earlier concerns for World War II style mobilisation and were inappropriately managed for current defence priorities. The defence industry suffered from the perpetual problems of high costs, uneven demand, small production runs and the inability to keep pace with technological change (Woodman, 1994:27, 33).

With these problems in mind, the 1984 defence industry policy statement set a limited agenda for the defence industry. It stated that the priorities for local industry were the repair, overhaul and adaptation of defence equipment vital for the Australian Defence Forces. Also important was the supply of spares, munitions and other stores for which overseas supply was not guaranteed, along with various supply and support capabilities and technologies for the Defence Forces long-term needs. However, the policy statement warned that high premiums could be incurred with local production. For achievable self reliance, the statement emphasised the balance needed between “the development of appropriate levels of selective and timely stockholding, assured overseas supplies and Australian industrial capability”. (Defence Report, 1983:57-58, quoted in Woodman, 1994:33-34)
The 1986 Dibb Review generally supported these proposals. Dibb argued that it was unlikely that a major expansion of Australian defence industry, along World War II lines, would be necessary in credible contingencies. Dibb wrote that:

"The establishment and maintenance of large-scale production facilities was appropriate only to a major expansion of the ADF. This takes a low priority because of the absence of an identified requirement, their high cost, and the lack of a continuing peacetime workload to maintain skills, once a capability is established." (Dibb, 1986: 110)

He argued that for Australian industry, defence self-reliance meant having the industrial capacity to maintain the effectiveness and sustainability in combat of the ADF. It was not, he argued, a prescription for Australia to have the full range of defence industrial capabilities (Dibb, 1986:107). Dibb argued that:

"The industrial capacity to maintain, repair, modify and adapt defence equipment to the Australian environment is of fundamental importance for our combat effectiveness in credible contingencies. Every effort should be made to limit our dependence on overseas sources of repair and maintenance support. Civil industry should contribute to the maintenance, adaptation and through life support of defence equipment. This is especially appropriate where a system is designed or manufactured in Australia, and where it has priority use in credible contingencies ....

Our priorities for manufacturing should focus on those areas where Australian industry is broadly competitive, where Australian requirements are unique (this will mainly apply to sensors and other electronics), or where assembly provides equipment and skills for through life support at acceptable cost.

Defence industry, including Government owned and operated facilities, should be subject to the same restructuring policies and pressures that apply to Australian industry as a whole ....

Australia's ability to supply defence equipment at the requisite level of technology, with acceptable lead times, and at an acceptable cost is, and will remain very limited. Pursuit of any substantial defence independence of overseas sources of supply is not feasible and would be counter to world-wide commercial trends. Nor does it have priority in our strategic
circumstances. Australian industry should not plan on a repeat of its experience in the Second World War when a broad range of defence equipment was locally manufactured. Finally, and noting the limited effort that defence expenditure has on our overall economy, defence industry should be used to support defence and not as a convenient prop for ailing industrial sectors.” (Dibb, 1986:113-114)

The tight strategic discipline imposed by the 1984 report and the Dibb Review regarding defence industry did not last long. The Hawke Government was concerned, as were previous Governments, at the high level of Australian defence expenditure that was spent overseas and these concerns were given added weight by the balance of payments problems the country was experiencing. In March 1987, the Minister for Defence, Kim Beazley, informed Parliament that:

“This country cannot afford to be saddled again with the sort of huge balance of payments slug imposed on us by the F/A-18 program, which despite good management of the project, in one year represented 4 percent of Australia's balance of trade deficit.” (House of Representatives, Hansard, 19 March 1987:1097, cited in Cheeseman, 1993:31)

The 1987 Defence White Paper ‘The Defence of Australia’ drew substantially on Paul Dibb's Review, although it differed in a number of important areas including that of defence industry. While Dibb had emphasised that “defence industry should be used to support defence, and not as a convenient prop for the ailing industrial sectors” (Dibb, 1986:114), the 1987 White Paper was oriented more to the economic rather than strategic aspects of defence industry. The paper gave the early warning that:
“While a substantial commercial workload can provide a base from which to bid for defence orders, the inverse is rarely true. The peacetime requirements of the ADF are usually too small and, particularly for the acquisition of new equipment, too infrequent and too limited in duration to provide a viable long term base workload for individual firms or industry sectors.” (Department of Defence, 1987:75)

It however, went on to state that:

“Participation in defence projects can ... bring to industry important technology, introduce new equipment and skills, and develop expertise in aspects of project management and quality control. This can lead to ongoing work in repair, maintenance and adaptation, as well as to participation in other defence projects, and to work on related civil production or for export.” (Department of Defence, 1987:75)

It proclaims that the managerial and other expertise that defence projects develop in Australian industry can facilitate growth in similar export and civil markets (Department of Defence, 1986:75). With regard to exports:

“The export of defence and defence-related products can foster skills and capacity in Australian industry and reduce the costs of indigenous supply and support for the ADF. Successful competition in overseas defence markets benefits our overall trade interests as well as the firms involved.” (Department of Defence, 1987:81)

The paper also states that local defence tenders gain a 20 per cent discount on top of other relevant tariffs, bounties, and other Government industry assistance (Department of Defence, 1987:79). It agreed with Dibb in stating that:
“The capacity to maintain, repair, modify and adapt defence equipment to the Australian environment, independent of overseas sources, is of fundamental importance for our combat effectiveness in all levels of conflict.”

It then drastically raises the level of industry support necessary by going on to state that:

“This requires Australian involvement in design, development and production to acquire the necessary detailed knowledge, skills and facilities.” (Department of Defence, 1987:76)

With regard to the ANZAC frigate project, the White Paper emphasises the importance of the project to the local shipbuilding industry and recalls the concept of large scale mobilisation by arguing that the build up in the shipbuilding industry would allow “a high degree of self-reliance in construction of additional vessels to expand the Fleet” if this were necessary (Department of Defence, 1987:87).

Dibbs' recommendations concerning government-owned defence factories were carried out, and from 1986 a number were either sold, commercialised or closed down. Of particular importance was the formation in March 1989 of Australian Defence Industries (ADI) Pty Ltd, an independent company formed from the Office of Defence Production and its remaining factories. ADI was moved outside the control of the Defence Department and was required to operate on a commercial basis. It was the largest Australian dedicated supplier of defence
products with an annual turnover of more than $400 million (Cheeseman, 1993:42).

The 1987 White Paper reflected the circumstances at the time. Around $7.5 billion worth of contracts had either been let or were about to be let with the new submarines and ANZAC frigate projects (Woodman, 1994:35). From 1990 to the year 2005 the Government intended to spend $25 billion on new capital equipment for the Defence Force and aimed to foster selected industrial capabilities (Cheeseman, 1993:43). Defence industry seemed to be one of the more obvious beneficiaries of the White Paper’s policy of defence self-reliance, with direct political benefits in being able to claim employment, exchange rate, and balance of payment gains from this policy. Kim Beazley claimed that by late 1989, 5000 South Australians were employed in companies specialising in defence business (Cheeseman, 1993:44). Additionally, the 1986 Cooksey Review into Australia's Defence Exports and Defence Industry promised that, with minor changes in defence export rules, a major increase in defence exports would occur, especially in areas such as aerospace, electronics, communications and related software (Woodman, 1994:35-36).

The Government claimed that as a result of the submarine and frigate projects, Australia was back in the business of building warships and that these defence products would be able to be sold overseas. In October 1989 Kim Beazley was saying that “already several countries are showing keen interest in the Type 471 (submarines). We hope that the Canadians will find that the Type 471 will meet
their requirements. There may also be good prospects for exporting our submarine technology and expertise to navies in our own region” (Thailand and India were later mentioned). (Quoted in Cheeseman, 1993:43-44). For both projects, Australian industry has invested in ‘state-of-the-art’ technologies including electro-optics, electronics testing, micro-alloy steel production and precision fabrication. The Government believed that this would increase industry’s competitiveness and international standing. In 1991 Kim Beazley stated that:

“These industries are not just essential elements of the industrial base needed to achieve self-reliance. They are equally essential for the type of industry structure our Government has sought to encourage to serve Australia into the next century. The aim has been to develop a structure that is global in outlook, export oriented, and internationally competitive.” (Beazley, 1991:101)

The Government’s new policies appeared to be achieving their aims with a much greater proportion of Australian defence expenditure being spent domestically. In 1986-87 the figure for local expenditure on capital equipment was 34.6 percent while by 1989-90 it had risen to 62.7 percent (Cheeseman, 1993:44). Defence exports were being marketed aggressively in Australia's immediate region and elsewhere. New trade commissioner positions were created in the Southeast Asian Region to promote Australia’s defence products (Woodman, 1994:27-28). Other Australian Government policy initiatives included defence offset provisions to promote relevant technologies in Australian industry, less strict defence export guidelines and support for local firms in defence purchases. These changes
conformed with the Government's wider economic agenda of deregulating the financial sector and exchange rates, as well as making Australian industry more competitive and export oriented (Woodman, 1994:28-29).

By the early 1990s the Australian Government had a number of other motives for developing the defence industry sector. These motives included concerns with a continuing balance of trade crisis and a high rate of unemployment. The major defence projects gave a stimulus to industry and employment, especially in hard hit regions such as Melbourne and Newcastle. There was also a new foreign policy initiative of regional security cooperation or comprehensive engagement with South-East Asia. One of the areas identified for potential cooperative effort with the South East Asian Region was that of defence industry (Woodman, 1994:30-31).

Despite the Government’s policy initiatives, glowing rhetoric and undeniable gains in efficiency, Australian defence industry still has a fundamental structural problem of scale. If the Australian Defence Force (ADF) remains at near its present level, and it may even be reduced, then the workload for Defence industry will continue to be limited. The traditional problems of a small domestic market and how to maintain skills and technology levels over long periods of time still remain. It has, for instance, been suggested that when the current submarine and frigate projects are completed there may only be enough work for three major shipbuilders whereas at present there are eight facilities (Brown, 1994a:75). There is also political pressure from Australian industry for the Government to sustain defence industry,
as well as from trade unions who emphasise the job losses resulting from any reduction in defence work for industry (Brown, 1994a:89). If defence industry is to grow, or even maintain its present level of activity, it will either have to receive increased government support or increase exports (Brown, 1994a:87; Woodman, 1994:36).

The Government is firmly in favour of Australian defence industries exporting more products to sustain themselves. Mr Punch, the Parliamentary Secretary to the Minister for Defence, has stated that:

"Defence exports contribute significantly to our national interests through improving our strategic relationships and contributing to closer engagement within the region, sustaining our strategic capabilities and maintaining our access to technology. They also provide economic advantages for Defence by supplying further markets and thereby improving the viability of companies who contribute to the industrial support of the Australian Defence Force; encouraging international competitiveness; and improving economics of scale, thereby generally leading to decreasing costs for the Australian Defence Force.

To this end the Government is pursuing arrangements to support industry in its endeavour to expand its access to regional defence markets." (Punch, 1994:19)

However, Stewart Woodman (a former Defence Department policy advisor), has observed that:

"In focusing on Defence exports it is important to look carefully at the web of logic being created. The underlying strategic priority would appear to be able to repair, maintain and adapt capabilities for the Australian environment. But to do that, current policy suggests that Australia must be able to produce those capabilities, and it can only produce them effectively if they are exported." (Woodman, 1994:37)
Australia's increasing need for defence exports to prop up defence industries raises the fundamental question as to just what are the export prospects for Australian defence products.

In 1985 Robert Cooksey was appointed by the Government to review Australia's Defence Exports and Defence Industry. His report, titled ‘Review of Australia's Defence Exports and Defence Industry’, prescribed a number of measures for increasing Australian defence exports. Cooksey argued that defence exports could be doubled over a period of three to five years. All that was needed was the political decision to export more “plus certain changes to institutional arrangements and to attitudes that have heretofore prevailed within the bureaucracy” (Cooksey, 1986:341). Cooksey estimated that in 1985-86 Australia sold around $200 million worth of defence equipment and that for 1986-87 the figure would be $250 million (Cooksey, 1986:254). However, as statistics on defence exports were limited, these figures were highly dubious; the United States Arms Control and Disarmament Agency's estimate was $510 million from 1975 to 1985, giving a figure of around $46 million per year (Quoted in Cheeseman, 1993:46-47).

In October 1986 Kim Beazley announced a package of measures, in line with those proposed by Cooksey, to promote local defence industry and defence exports. These measures included the Defence Department assisting exporters by providing technical support, test ranges and other facilities, the use of defence personnel to market products overseas, the evaluation of locally produced defence products and
the provision of spares and related support services to recipients of Australian defence exports. The Australian Trade Commission (AUSTRADE) would also be used to promote defence exports. The Department of Defence and AUSTRADE developed a strategy to promote sales in the United States, Southeast Asia and the Middle East. They also organised Australian participation in a number of defence trade exhibitions and visits by Australian defence force and defence industry representatives to various overseas countries. In 1988 a Defence Trade Mission visited Malaysia, Singapore, Indonesia, the Philippines and Thailand (Cheeseman, 1993:47-50).

In June 1988 the Government approved new policy guidelines for defence exports. These had been prepared by the Defence Department and relaxed the criteria for determining where defence exports could be sold. The previous guidelines, dating from 1975, had banned the sale of defence material to countries engaged in military conflict or where United Nations sanctions were in place. They were also predisposed against selling defence material to areas of potential military conflict or where there was evidence that they would be used primarily for the suppression of domestic opposition (Cooksey, 1986:369; Cheeseman, 1993:50).

The new guidelines banned the export of defence goods to countries under United Nations or other international arms embargos and to countries whose policies or interest were harmful to Australia's strategic interests, or those of its allies or friends. It also banned exports to Governments that seriously violated the rights of their citizens, but made an important exception if there was 'no reasonable risk'
that the goods might be used against those citizens. Also banned were exports that would reduce Australia's military advantage or result in the release of classified information or technology, either Australia's or that of a third country (Cheeseman, 1993:50).

Although the new policy still restricted arms to 'sensitive' areas, there were few real restrictions. Kim Beazley announced that approval would normally be granted in cases "where friends and allies would supply comparable equipment and the export would not prejudice any Australian military advantage." (Quoted in Cheeseman, 1993:50) Also, while previously the responsibility for defence export policy was shared between the Minister for Defence and the Minister for Foreign Affairs, the new guidelines gave the Minister for Defence and his Department full control. The bulk of responsibility for export approvals was delegated to Defence officials whereas previously there had been minimal delegation below the Ministerial level. All defence export applications were required to be responded to within 21 days, and the onus of proof was placed on the Government regulators to demonstrate why an export application should not be approved. The Department of Foreign Affairs was only to be consulted if there were sensitivities regarding strategic, international or human rights issues. Sensitive applications were to be handled by a Standing Interdepartmental Committee on Defence Exports (SIDCDE) which, however, met only eight times in 1988 and four times in 1989 (Cheeseman, 1993:50-51). The Government also changed the legislation covering those items that could be exported from Australia without permission. These
changes excluded non-lethal items such as maintenance equipment, factory tools and spare parts (Cheeseman, 1993:52).

There was little reaction to the Government’s new defence export policy. Some reservations were expressed by a few left wing Labor Party members and by the minority opposition parties in the Senate: the Australian Democrats, and the two independent Nuclear Disarmament Party Senators. However, their ability to raise the political profile of the issue was limited as the opposition Liberal and National Parties accepted the general thrust of the Government’s defence policy and supported the Government’s defence export initiatives. Little was heard from the Australian Peace Movement on this issue at that time (Cheeseman, 1993:53), although a few academics and members of the peace movement did follow this issue.

Until quite recently the Government believed that substantial sales of defence products were possible and by 1993 it expected Australia to be earning around $500 million from defence exports annually. Although it first appeared that the defence export strategy was working well it has in reality been almost a total failure. For instance, according to the Department of Defence, exports for the year 1989-90 were $115.2 million and for 1990-91 $122.2 million. For 1993-94 defence exports were only $70.6 million (Department of Defence, 1994a:122). The 1990-91 figure included revenue earned from the one-off sale to Pakistan of ex-RAAF Mirage Fighter aircraft for $36 million and the provision of Pacific Patrol Boats through the Defence Co-Operation Program to Tonga, the Marshall Islands and
Micronesia for $12.2 million, but paid for by the Australian Government. Also, offsets against Australia's own purchases of overseas military equipment made up between one-third and one-half of the supposed 'export' figures. Defence imports and offsets are directly linked so that as our defence imports decrease so will this portion of our exports (Cheeseman, 1993:55-57). There has also been a general international trend away from offset arrangements. In the 1991-92 financial year, national exports approved were around $187 million. The actual figure was, however, only around $17.5 million. This was because many export proposals that were approved did not proceed, and because some $70 million worth of 'exports' were actually goods sent back to Australia for repair, or were under warranty, or were demonstration items brought to Australia (Brown, 1994b:88).

Australian defence exports have not increased significantly as a result of the Government's policy initiatives. This is largely because the global arms trade has undergone a dramatic decline in recent years. Defence suppliers who had profited from selling to NATO, the Warsaw Pact, or elsewhere during the Cold War are now finding their markets shrinking. Some firms have already vacated the defence field while others have merged, down-sized or closed down. Many countries and companies have surplus equipment and current production items for sale. Worldwide there has been a fall in demand and an increase in the supply of equipment, both old and new, resulting in a buyer's market (Brown, 1994b:89-90).

The Australian Government also experienced a number of political problems concerning defence exports. Chief among these was the controversy caused by the
1990 sale of 50 obsolete Mirage fighter aircraft to Pakistan for a mere $36 million (much less than they were worth). This sale damaged Australia's relations with India, made the Government look incompetent as Ministers tried to avoid responsibility while trying to placate both Pakistan and India, provoked strong local debate over the wisdom of the sale, and gave the impression that the Australian Government did not practise what it preached at the United Nations (Cheeseman, 1993:58-59; also see Cheeseman, 1992).

Another event which raised political awareness and debate regarding Australia's defence export policy was the November 1991 Australian International Defence Exhibition (AIDEX) held at the National Exhibition Centre (NATEX) in Canberra. The exhibition ran from the 26 to the 28 November and attracted not only arms traders but also demonstrators from the ACT and interstate. The demonstrators represented many diverse organisations including peace, anti-nuclear, religious and political groups, and unions (Smith, 1993:1). Though largely peaceful, the demonstration did involve a number of violent clashes between some demonstrators and police. These clashes were reported by the national media. While it was the violence that the media focused on, the issue of arms sales also drew some public and media attention.

Those opposed to the Government's new policy expressed concern that the sale of arms to developing countries in our region would undermine their social and economic well-being and contribute to the militarisation of the region. Also criticised was the idea that Australia should freely export to any country that its
allies exported to since, it was argued, this ignored the fact that the interests of Australia were not always the same as those of its allies, particularly the United States. The loosening of export controls on non-military lethal goods was seen as exporting the potential for terrorism and community violence. It was also claimed that the Government's new policies contradicted Australia's long-held position against the arms trade taken at regional and international forums such as the United Nations (Cheeseman, 1993:53).

The poor defence export performance along with the concerns regarding the handling of the Mirage sale, and the political pressures created by the AIDEX demonstration, led the Government to initiate a number of reviews of Australia's defence industry policies. These were the Price Report and, less directly, the 1994 Defence White Paper. The Government was also persuaded to allow the establishment of a Senate Standing Committee on Foreign Affairs, Defence and Trade Inquiry into the defence export issue.

In May 1992 Senator Robert Ray initiated a review of Australia's existing Defence Industry policy which was aimed at "charting the way ahead for the relationship between defence and industry" (Department of Defence, 1992a:1). The review was coordinated by Labor MP Roger Price. Price wrote that:

“Industry has an important part to play in Australia's defence policy of self-reliance. The Navy, Army and Air Force act as the first three vital arms in the defence of our nation, with Industry helping to ensure that the ADF is well equipped and supported with the most modern equipment available. Australia's Defence Industry can, therefore, be seen as the important 'fourth arm' helping defend Australia.” (Department of Defence, 1992a:i)
With regard to defence exports, Price states that:

"Defence related exports ... provide business opportunities for local industry, lower unit costs for Defence from economies of scale, help sustain important capabilities in Australian Industry, and promote our strategic interests." (Department of Defence, 1992a:34)

He also states that:

"Australia's security is tied to the strategic stability of the South East Asian Region, and is pursued through a range of substantial and mutually beneficial linkages. Australia and the countries of Southeast Asia will face many similar defence planning concerns over the next decade, and there are growing opportunities for Australian industry in regional defence markets which would contribute to our security partnership with the region." (Department of Defence, 1992a:35)

Price, therefore, supports the Government's general policy thrust of expanding defence industry and promoting defence exports, in particular to Southeast Asia.

He also attacks the critics of defence exports by saying that:

"Effective interaction in international markets by Australian Defence and industry will require broad acceptance in the community that export controls should not be used as the first lever of diplomatic reaction." (Department of Defence, 1992a:35)

The 1994 Defence White Paper titled 'Defending Australia' included the Government's defence industry and defence export policy. The defence industry section drew very much on the Price report, while for broader strategic direction
the report drew on Strategic Review 1993. Chapter Eleven 'Defence and Australian Industry' immediately emphasised the wider industrial context of Defence Industry by stating that:

"The Government's defence policies for industry ... will enhance Australia's capacity for defence and are consistent with those policies announced in the recent White Paper on Employment and Growth, for the development of a strong national industrial base." (Department of Defence, 1994a:113)

The paper added that defence policy for industry had furthered the process of making Australian industry more internationally competitive. This was because, it argued, defence industry encouraged efficient production and work practices and an export orientation. Further, major projects, such as the Collins Class submarines and ANZAC Frigates, transferred new technologies to Australia and enhanced important skills such as software engineering, systems integration, and managing complex engineering development projects (Department of Defence, 1994a:113).

The White Paper recognised the constraints facing Defence industry and predictably proposed exports as the solution:

"Defence's demand for specific defence goods and services will continue to remain uneven and often too small to sustain individual companies on a competitive basis. Australian companies supplying Defence will have to continue their diversification into other markets, both civil and defence export, for long-term sustainability." (Department of Defence, 1994a:114)

The White Paper agreed with the direction for Defence industry outlined in the Price Report and claimed that many of its recommendations had already been
implemented “including those providing for better directed export facilitation and the use of specialist trade commissioners in South East Asia.” (Department of Defence, 1994a:116) With regard to defence exports the White Paper stated that they “provide a valuable basis for enhancing our defence relationships with countries in the region as well as our traditional partners.” (Department of Defence, 1994a:121) The White Paper emphasised the strict controls the Government placed on Defence exports before turning to the strategy for increasing such exports:

“We will continue to emphasise the development of cooperative material programs in which two or more countries work together to develop, build and maintain defence equipment. Such programs provide opportunities for all parties. Our long-standing defence relationships with many countries in the region provide a strong basis to develop such arrangements.” (Department of Defence, 1994a:122)

The industry section in the White Paper concluded by saying that Australian firms must take the lead in marketing and exporting defence products, that expanded defence exports had clear benefits for Australia’s defence interests, and that the Government will maintain an active defence export facilitation program (Department of Defence, 1994a:123). The 1994 Defence White Paper indicated that for defence industry the Government’s policy was still one of rapid expansion, and identified South East Asia as the best potential market for Defence exports. It also saw Australian defence exports filling ‘niche’ markets. The White Paper represented a continuation of government policy and ideas.

The report briefly runs through the arguments and issues concerning defence exports without taking a firm stand either way, although it does lean towards the Government's view. It expresses concern at the slow implementation of the Defence Export Program, stating that Defence must ensure that both strategic and economic benefits result (Joint Standing Committee on Foreign Affairs, Defence and Trade, 1994:79). The report also suggests some minor refinements to the defence export approval process. The generally benign tone and lack of critical comment is well illustrated by the final sentence in the report:

"Given increased international interest in international arms transfers, Australia must be vigilant in ensuring its own controls remain appropriately balanced." (Joint Standing Committee on Foreign Affairs, Defence and Trade, 1994:88)

The report also contained an additional or 'alternative' report from the 'left' elements on the Committee, the Greens, Democrats and a few left wing Labor people. This alternative report does critically analyse the issues surrounding defence exports. The fact that it was a minority report indicates the lack of political clout such critical views have and are likely to have. At the time of writing (January 1996) the Government had not acted on either report. It would seem very unlikely that the report(s) would cause a substantial change in government policy.

The Government is endeavouring to revive its defence export policy by promoting sales in South East Asia. There is, however, reason to doubt the feasibility of such a strategy. When combined, the defence budgets of the ASEAN countries are about the same size as that of Australia's defence budget. They are nowhere near as large as those of North East Asia, which are a full order of magnitude larger. This
means there is only a relatively small market for all exporters to divide up. Competition amongst the world’s defence exporters for this small market is fierce. The common perception that the defence budgets of the ASEAN countries will continue to increase, thereby increasing demand for defence exports, may also be incorrect. During the 1980s ASEAN defence expenditure grew rapidly but has levelled off during the 1990s. This is partly because many ASEAN states have completed their force modernisation programs (Brown, 1994b:90; also see Ball, 1993). These countries also face continuing economic, social, and political constraints and tensions.

Another constraint on an increased defence export market in South East Asia is the increasing cost of new military equipment. Each new generation of weaponry is often twice as expensive as its predecessor. The emphasis will therefore increasingly be on upgrading old equipment and reducing the numbers of new weapons purchased. Also, as the ASEAN countries develop their own defence industries, export opportunities could be reduced further (Woodman, 1994:37-38). As well, there is doubt as to whether Asian countries want the large high-tech weapon systems Australia is producing or whether they could maintain them (this is especially the case with the Collins class submarines).

Australia lays great store on defence exports being a means to promote its new regional security agenda. Australia is strongly promoting the concept of a regional security community. This involves establishing joint ventures in the manufacture of defence equipment between Australia and South East Asian nations, with the
transfer of technology and training skills. Paul Dibb writes that: “Australia will need to strike a balance between our desire to maintain a technological edge and our desire to develop regional markets.” (Dibb, 1992a:28-29) However, if Australia is to gain defence export markets in the present highly competitive arms trade, it will not be able to place too many conditions on its defence exports or joint ventures (Woodman, 1994:43-44).

Finally, the fact that there is a significant constituency in Australia that is concerned with human rights abuses in some Asian countries means that most major defence export deals will come under close domestic scrutiny and possibly opposition. This was apparent in late 1993 when there was a proposal to export forty thousand fragmentation grenades to Sri Lanka, a state undergoing a vicious civil war. The proposal was eventually rejected by the Government (Brown, 1994b:93).

It therefore seems unlikely that Australia will be able to significantly increase the volume of its defence exports. This means that the strategy of supporting defence industry through defence exports is also unlikely to be achievable. The potential failure of this strategy calls into question the meaning of the fundamental underpinning of Australia's defence strategy, the policy of defence self-reliance.

If the current conception of self-reliance is unsustainable given the likely resources available to defence over the next decade, then the Government will need to redefine self-reliance. It could either reassess the level of technology the present Defence force structure entails, or it could rely increasingly on the United States to provide weapons, spares, and munitions, and so prop up our Defence force
structure. The Government seems to have chosen the latter course. This undermines the notion of self-reliance and could prove disastrous in a future defence emergency (Cheeseman, 1993:61). There is no certainty that the interests of the United States will always be similar to those of Australia.

During the 1980s the Australian Government changed Australia’s defence export policy from one of constraint to one of promotion. This change, however, did not have the expected result of substantially increasing defence exports. Despite this failure, and the public protests concerning defence exports, the Government seems determined to pursue its policy of promoting defence exports. The reasons for this determination will be explored in the following chapters.
CHAPTER 2

WORLD TRENDS IN ARMS PRODUCTION AND EXPORT

To gain a greater understanding of Australian defence production and defence export policy it is important to appreciate arms production and export in an international context. Indeed, a number of countries face dilemmas similar to those that Australia either faces at present or will face in the near to medium term. This chapter begins by briefly describing the present situation of a number of the world’s major arms producers before analysing the particular dilemmas faced by the neutral nations of Western Europe, namely Sweden, Switzerland, Austria, and Finland. These neutral nations have been chosen as they have some of the strictest defence export controls of any countries yet also face pressures from their defence industries. How these pressures have been resolved should provide a boundary as to what is possible when trying to restrict exports while encouraging defence industries. Finally the chapter turns to some important issues concerning arms export controls.

The United States is by far the world’s largest arms producer and arms exporter accounting for 51 percent of total world arms exports in 1991 (Anthony, 1993a:67). Recently, however, the United States defence budget was cut from $336 billion in 1990 to $263.8 billion in 1995. As a percentage of GDP, defence spending went from 6.9 per cent in 1985 to 4.7 percent in 1993. Importantly for defence industry production, procurement spending dropped from $168 billion in 1985 to $100 billion in 1992 (Wulf, 1993:8; also Encyclopaedia Britannica, various
editors). Employment in the US arms industry has fallen from 3.6 million in 1987 to near 2 million in 1995 (Wulf, 1993:9). This reduction is likely to continue as the projected level of defence spending over the next decade is too low to fund the procurement program planned for that same period. Also adding to the problem is the likelihood that defence funding may fall below that projected, although relatively small force cuts could help solve this problem (Adam and Kosiak, 1993:29 and 44-45). The main reasons behind these defence cuts have been the end of the Cold War and concerns over the federal deficit.

The cuts made to the US defence budget have not been as great as the new strategic situation warranted. While the primary justification given for the high level of US defence spending during the Cold War was the Soviet threat, a secondary justification given was that it created jobs and had technological benefits for the civilian sector. The issue of jobs is particularly important because defence spending and employment have been concentrated in a few US states and regions creating a strong lobby in those regions for continued defence spending. This in turn has influenced Congressmen from those regions to actively fight any cuts to defence spending, in particular cuts to the procurement program. At present the fear of job losses is the major political obstacle to deep cuts in defence spending (Reppy, 1993:52-53).

US defence contractors are dealing with the shrinking defence market in a number of ways. Some larger companies are teaming together to share the remaining work and thereby forcing smaller sub-contractors out of the market. Some major
companies have also left the market while a number of companies, one being General Dynamics, have sold their non-defence interests and concentrated their resources on their defence sector. Other companies are taking advantage of the downturn in the market to buy up competitors and so reduce competition in their specific areas. However, the dominant strategy for companies in the defence market has been to reduce costs by sacking workers (Reppy, 1993:50, 57-59).

There is ambivalence in the US Government over procurement policy and defence spending, with an inherent conflict between the aim of cutting procurement expenditure and maintaining a strong defence industrial base (Reppy, 1993:62). For example, the US Government has recently directly helped a number of arms manufacturers who were experiencing financial difficulty. In late 1990 the Pentagon gave McDonnell Douglas a cash advance when it faced a cash flow crisis. Also, both General Dynamics and McDonnell Douglas were allowed to defer payments that they owed when the A-12 attack aircraft was cancelled. Both of these actions resulted from concerns to maintain the defence industry base and from Congressional concern at potential job losses (Reppy, 1993:64).

Not only are companies facing a shrinking domestic market but they are also having to deal with a break in the previous close link between weapons research and development, and large scale production (Wulf, 1993:8). With procurement being cut it is difficult to sustain all the necessary production techniques (Adams and Kosiak, 1993:40). For example, the recent decision to cancel the billion dollar Seawolf attack submarine program has raised the problem of how to maintain the
skills to produce such vessels in the event that they may be needed at some future date; a similar problem could confront tank production. If the answer to this problem is low-rate production that would have the effect of increasing unit cost (Adams and Kosiak, 1993:46).

One proposed solution to these dilemmas is to increase arms exports. Almost all the major arms manufacturers in the US are aggressively marketing their products around the world. The US Government supports this export push and has removed barriers which had previously restricted arms exports (Anthony, 1993a:66). The arms trade also provides the largest positive trade balance of any US industrial sector so it is not surprising that government officials and Congressmen frequently use economic and industrial arguments to support arms exports (Anthony, 1993a:72-73).

At present the US dominates the military combat aircraft market. The F/A-18 has recently been successful over the French Mirage-2000 and Swedish JAS-39 to win orders from Switzerland and Finland. In Asia the F/A-18 and F-16 have also won substantial orders. This market dominance is not however secure with the US confronted with a difficult dilemma. If the US continues production of current-generation equipment improved through gradual upgrading it would continue this market dominance, especially in aircraft. If, however, the US moves into production of the next generation of super-sophisticated weaponry it will be increasingly difficult for companies to maintain their market dominance (Anthony, 1993a:76, 79). This is because these weapons will be either too sensitive to export
to other countries, too expensive for other countries to buy, or too sophisticated for other countries to maintain.

The United States Navy (USN) provides a good example of the effects on arms exports of the move towards increasingly sophisticated weapons. The USN has rapidly moved toward increasingly sophisticated ships with ever increasing capabilities, making virtually all USN warships unexportable (Anthony, 1993a:79-80). They are unexportable not only because of the enormous initial cost of ships (a Seawolf submarine or a Ticonderoga class cruiser cost over A$1 billion each) but also because of the huge maintenance costs and, importantly, the manpower and training requirements for such sophisticated weapons. Also, such weapons would not fit easily into the force structure of most navies. There is also the issue of whether the United States would allow its leading-edge technologies to be exported. The US Government is particularly concerned with the issue of technology transfers to Europe and Asia (Anthony, 1993a:82).

Those warships that have had success on the export market, most notably the FFG-7 (Oliver Hazard Perry) class of frigates, have only been accepted by the USN reluctantly (Anthony, 1993a:79-80). Recently a US company, supported by the Senate and House of Representatives, recommenced production of diesel electric submarines, although the USN has opposed this move. These have not been built in the US for decades, and their current production is intended for export to compensate for the run down in the nuclear submarine program (Anthony, 1993a:80). The US Airforce seems set to follow a similar path to that of the USN.
by developing new technology. Neither the US Navy nor the US Airforce are very interested in upgraded versions of current generation ships or aircraft (Anthony, 1993a:79). The USN wants to retain its huge aircraft carriers, advanced cruisers and Seawolf nuclear attack submarines while the Airforce wants its F-22 fighters and B-2 stealth bomber and F-117 attack aircraft.

The United States Government has adopted mixed policies that send conflicting messages to industry. These policies are unlikely to result in a balanced defence industrial base with little excess capacity and able to operate effectively in a tighter defence market. Instead the most likely outcome is for a few large defence contractors being dependent on the Defence Department for most of their sales and supported by a tight network of special arrangements and regulations (Reppy, 1993:57). With regard to defence exports the US Government seems unlikely to impose deliberate restrictions, with the possible exception of some advanced technologies. Rather, any decline in the US share of defence exports will be the result of procurement choices that equip the US forces with 'unexportable' supersophisticated weaponry (Anthony, 1993a:83).

With the break up of the Soviet Union it was initially thought that a large number of the defence industries left in Russia would be civilianised. Although this has occurred in some cases the general trend has been for the factories to remain, but operating at much reduced levels. Rather than encouraging the conversion to civil production Russia hopes to sustain its defence industries by aggressively selling defence exports. Recent successes have been the sale of submarines to Iran; aircraft
and missiles to China; aircraft, tanks, and missiles to Syria; helicopters and armoured personnel carriers to Turkey; and MiG-29 fighters to Malaysia (Pearson, 1994:14-15). While defence exports are unlikely to provide a long-term solution to Russia's problem of defence industry over-capacity, in the short term the effect will be to flood the defence export market with relatively cheap and sophisticated weaponry. This will place a downward pressure on the price of defence exports no matter which country produces them.

Western Europe is another large centre for defence industries and arms exports, although markedly smaller than the US. For instance during the early 1990s all of the European NATO countries combined, including France, spent less than half as much on weapons procurement as did the US Government. In terms of defence exports the Western European countries again exported less than half the level of weaponry as did the US (Wulf, 1993:143). With the end of the Cold War, and the general financial constraints afflicting Western Europe, defence spending has been cut dramatically. In the United Kingdom, for example, it is estimated that defence spending will fall from 5.2 per cent of GDP in 1980-84 and 4.0 per cent in 1990 to 3.4 per cent by the late 1990s. In Germany there have already been substantial defence cuts, a number of major defence projects cancelled, and the arms industry now faces severe over-capacity. This problem is compounded by the inheritance of arms production facilities from the former East Germany (Wulf, 1993:145-146). The other countries of Western Europe have also made substantial defence cuts.
In Western Europe tank production programs have been severely affected by the defence cuts with Germany, Italy and Spain all having scrapped major tank production programs; most other countries have also cut back on the numbers they are procuring. Small arms and munitions producers have also suffered a large drop in profitability due to reduced demand. Many of these small arms companies took advantage of a number of regional conflicts and generous interpretations of export controls to build up large export markets. With many of these conflicts having ended and domestic demands being cut these companies are suffering a huge drop in profits and some have gone bankrupt (Wulf, 1993:156-158). The producers of fighter aircraft also face similar problems.

In Western Europe most sectors of the arms industry have been characterised by increasingly high development and production costs and ever-shorter production runs. Continual modernisation and the increased sophistication of weapons has caused a sharp jump in development costs at a time when funding is being cut. The governments of Western Europe face the dilemma that there is an inherent conflict between cutting research and development (R&D) and procurement spending while trying to maintain a competitive and viable arms industry base. Industry also faces a dilemma in that at a time when reducing capacity is the logical policy more resources are required to develop the next generation of weapons. The present industrial base cannot be sustained and in future the capability to produce sophisticated weaponry will be limited by the inability of Western European
governments to fund such weapons in large enough quantities to sustain their industrial base (Wulf, 1993:143).

One solution proposed to these various problems by both Western European governments and industry is increased arms exports. One sector which has had success in the export market is warship construction where Western European shipbuilders have managed to dominate the world market in submarines, frigates and fast missile attack craft. Western European shipbuilders are very dependent on warship construction, with over half their sales being warships (Wulf, 1993:155). This has largely been because the US generally produces highly sophisticated ships while Western European companies have produced middle of the range and more affordable vessels more suited to non-superpower navies. In other types of weaponry the West Europeans have been less successful. In particular they have failed in recent years to gain large fighter aircraft orders (Wulf, 1993:151-152). Aircraft like the Mirage-2000 and Tornado have gained few substantial orders this decade. There are also, at present, no foreign buyers for the new French Rafale fighter nor the new Swedish Gripen fighter. To be profitable both programs are dependent on large export orders.

For countries like Spain which was a late-comer to arms production and relied on defence exports to stimulate its defence industries, particularly to less developed countries, the downturn in the export market has thrown its defence industry development plans into confusion. Spain has tried to resolve this issue by increasingly turning to international collaborative projects (Wulf, 1993:147). While
reducing risks, international collaborative projects can increase unit costs and lead to weapons being acquired that do not really fit the nation’s needs. Also, with firms merging, collaborating, or leaving the defence market, competition is being reduced which can again increase unit cost. At present there are too many West European arms producers for the size of the market and exports are unlikely to solve this basic problem. In the end it may well be those companies that are protected by privileged treatment, from governments willing to bear the increasing cost, that are likely to survive (Wulf, 1993:156-159). While most governments, and companies, will continue to aggressively market arms exports this will provide relief for only a few.

While the US and Russia can be regarded as first tier arms producers, and Western European countries as second tier arms producers, there are also third tier arms producers to be considered. These counties cannot produce the same range of sophisticated military hardware as second tier producers and tend to license-produce foreign designed equipment. They generally remain dependent on the importation of key components. Third-tier producers include Turkey, India, Israel, Egypt, South Africa, Australia, Brazil, Argentina, Taiwan, South Korea and Pakistan.

Turkey provides an interesting example of a third-tier arms producer. Although a large number of countries are disarming, Turkey is arming at a rapid rate through large quantities of arms imports, chiefly second-hand equipment from NATO, and increased domestic arms production. The dominant reason for Turkey’s military
expansion program is its geopolitical position, being situated in a region beset by conflict and tension (Gunluk-Senesen, 1993:251-253). Recent Turkish history has played a dominant part in shaping the form of Turkey's military program. In 1974 Turkey invaded Cyprus and, as a result of this act, the US imposed an arms embargo on Turkey until 1978. The Cyprus operation created a perception within Turkey that there was a need to become self-sufficient in arms production. It sought to avoid dependence on military aid and to replace obsolete equipment. Turkey believed that domestic production was needed to reduce its susceptibility to embargoes and to save foreign exchange. A modern defence industry and revenue from arms exports were seen as a means to reduce the burden of the defence budget (Gunluk-Senesen, 1993:255).

Turkey expected that spin-offs from the arms industry would include a more diverse industrial sector, product quality improvement, more efficient production, increased economic growth, foreign exchange savings, reduced unemployment, increased technological sophistication in industry, and improvement in the quality of university education and the labour force generally. Various studies, however, have indicated that Turkey's defence expenditure has had a negative impact on the growth rate. Defence industries were found to import large quantities of expensive materials and Turkey has failed to gain substantial export orders. In particular Turkey hopes to become a major exporter of US designed F-16 fighter aircraft, which Turkey part produces, once the US stops production of F-16's in the mid-
1990s. Whether this will occur is problematic. Turkish defence firms are at present suffering profitability problems (Gunluk-Senesen, 1993:260-265).

While it seems that Turkey’s defence industry goals are unrealisable the Turkish Government and military are both determined to continue the program, disregarding any shortcomings. Within the Turkish parliament there is general consensus on this issue. The Turkish elite seems to have resolved the dilemma between defence spending and funding for social welfare issues such as health and education in favour of the former (Gunluk-Senesen, 1993:267). The long term effect of this, however, could be to undermine Turkey’s delicate social cohesion and political stability.

Other third tier arms producing countries have also suffered in recent years. While Brazil became a major arms exporter during the 1980s, by the early 1990s its major customers, in particular Iraq, could no longer pay for imports and the Brazilian arms industry went bankrupt (Pearson, 1994:21). Argentina is facing a similar situation, and the arms industry programs of India, a major arms producer, have been beset by major delays and cost overruns. Also both Israel and Egypt, while each a major arms producer, have become very dependent on US economic assistance to support their weapons programs. There is a question mark over whether either can maintain its current arms production level (Anthony, 1993b:376-377, 373). Although arms production by third-tier countries is very expensive, for security reasons a number of countries are prepared to pay this
price. These countries include Taiwan, South Korea, North Korea, India, Pakistan, Israel, Egypt and Turkey (Anthony, 1993b:367).

For third tier arms producers there are five motives that can be identified for developing arms industries. These are:

1. To guarantee continued arms supplies to counter threats to security,
2. To provide a symbol or index of effective regional or international power,
3. As a catalyst for economic modernisation efforts,
4. To develop local skills and technologies, and
5. As a substitute for imports, to save hard currency, and improve the balance of payments (Krause, 1992:162).

While the initial decision to produce arms may be for political reasons (i.e. 1 & 2 above), once that decision has been made “economic factors such as achieving viable production runs become important determinants of production and export policy.” (Krause, 1992:163)

Today few countries retain the aim of achieving total self-sufficiency in arms production. Increasingly governments are seeking to use their arms industry policy as a means of pursuing wider industry policy objectives (Anthony, 1993:378). The objective of increased economic development through defence industry often extracts great effort and resources from government despite the fact that such a policy has a small likelihood of success. What this form of enclave industrial
development does is to make the export of arms production much more important than the likely limited domestic demand (Krause, 1992:30).

Most weapons exported by third-tier producers are unsophisticated; a market sector where first and second-tier producers do not necessarily have a competitive advantage. Exports are often to countries which find it hard to obtain weapons from other states, for example Iraq and Iran (Krause, 1992:160). However, the cuts in the defence forces of the European countries and Superpowers has meant that the Third World arms market has been flooded with cheap weaponry (Pearson, 1994:21). This has destroyed the export markets for third-tier producers. As well, while the initial aim for third-tier arms producers was to increase self-sufficiency, the development of arms industries has entailed significant continual importation of key weapons components, thus continuing their dependence on outside powers (Pearson, 1994:20). Also for third-tier arms producers economic and technological changes make developing and sustaining an arms industry much harder (Anthony, 1993b:362).

For most developing countries the development of an arms industry capable of filling more than a small part of their armed forces needs faces insurmountable problems. Therefore, most countries have tended to focus on relatively low-technology activities. The armed forces of those arms producing countries are often reluctant to acquire such low-technology weapons, preferring instead to import high-technology weapons. Also, due to the small domestic market, and hence small production runs, the costs of locally produced weapons are often
higher than imports. For armed forces with shrinking budgets this is an important concern (Anthony, 1993b:365-366). It is often the case that the importation of components and subsystems for domestic arms production drains more scarce foreign exchange than the importation of foreign weapons off the shelf. Arms production in third-tier states usually requires a large government subsidy. Also, in an economy with a labour surplus and poor skills base, capital intensive arms production is economically inefficient as it will employ a significant proportion of the scarce number of skilled workers and the scarce investment capital. This impedes capital investment and development in the civilian sector (Krause, 1992:166).

Generally third-tier countries have been unsuccessful in their efforts to develop an arms industry and gain significant defence exports. One area where a number of countries have had significant success is that of modification and upgrading of foreign weapons platforms. Israel, Singapore, South Korea, Taiwan and Pakistan have all developed substantial defence industries capable of upgrading old weapons platforms by fitting new equipment. The upgrading of old platforms extends their life, increases their effectiveness, and often involves new frames, power units and electronics. The upgrading of old platforms is likely to become more common as sophisticated new platforms become more expensive (Anthony, 1993b:378).

Australia likes to think of itself as maintaining high moral standards in international relations. Gareth Evans has spoken of Australia being "a good international citizen" (Evans and Grant, 1991:34). It is therefore useful to examine how the
major neutral countries of Europe, generally recognised as very good international citizens, have coped with the issues surrounding defence production and arms exports. These neutral countries face a dilemma in that they have adopted policies of ‘armed neutrality’ supported by some indigenous arms production while also supporting arms control and disarmament at both regional and international levels. The neutral governments also have restrictive policies on foreign arms sales. However, the increasing costs and technological sophistication of modern weapons makes arms exports a vital part of sustaining an advanced indigenous military industry. The sustaining of ‘armed neutrality’ by indigenous means will increasingly come to depend on arms exports (Hagelin, 1990:7).

For the neutrals a restrictive arms export policy has become more difficult to sustain for a number of reasons. First, the domestic military market is increasingly unable to support indigenous military production due to the increased cost of military production and social demands on budgets. Second, in order to maintain indigenous production foreign arms sales have moved from being an indirect effect of arms production to being a direct necessity to sustain that production. Thirdly, the greater international co-operation in arms production means that any one nation’s restrictions can often be avoided in the partner country (Hagelin, 1990:24).

During the 1970s and 1980s the larger European neutrals, Sweden, Austria, Switzerland and Finland, began making headlines due to their arms exports. The neutrals had until then been known for their restrictive arms export policies rather
than their increasing arms exports to poor countries and regions of conflict. In Sweden in particular arms exports became a major political issue (Hagelin, 1990:2). In Sweden public debate about defence and security issues has been stronger than in the other neutrals and has had a greater influence on policy. This is largely because since the 1950s various groups and individuals within Sweden have raised and debated these issues. These groups, especially the Swedish Peace and Arbitration Society (SPAS), as well as the controversies of illegal arms sales have attracted broad media coverage and public interest. The youth wing of the ruling party has played an important role as have parliamentarians who have backgrounds in the peace movement. The issue of arms sales has been frequently raised within parliament (Hagelin, 1990:56-57).

In 1988 the Swedish control requirements for arms sales were strengthened as a reaction to the alleged illegal sales of the early and mid-1980s. The Swedish example indicates that persistent repetition of demands can force an issue onto the public agenda and eventually give it legitimacy and possibly political acceptance (Hagelin, 1990:57). Even so, during the 1980s Sweden increased its arms sales and the tighter export controls were implemented more loosely (Hagelin, 1990:63). Also, the short court sentences given to people involved in illegal arms sales have shown that the arms export law itself is often difficult to implement and ambiguous (Hagelin, 1990:104-109).

More recently within Sweden there appears to be a wavering of pressure to restrict arms sales. The number of former peace activists within parliament is decreasing
and new members may not have the same level of commitment to peace issues. There is also a general 'fatigue' with the issue of arms sales after the numerous controversies of the 1980s. Other issues such as the environment seem more relevant to the present generation of politicians and activists. In Sweden there may well be a more open acknowledgment of the link between arms sales and domestic arms production (Hagelin, 1990:108-109).

For Sweden the increase in the cost of developing weapons and increases in unit costs for modern weapons has made it necessary to increase international cooperation despite the official policy of self-sufficiency. The Swedish arms industry has become increasingly dependent on foreign components and subsystems for the weapons it produces. There have also been an increasing number of joint ventures. This trend is likely to continue (Wulf, 1993:147), and is also evident with the other neutrals. While Sweden has tended to refrain from selling arms to areas of conflict the other neutrals, which have had a less vigorous debate over arms sales, have exported weapons to conflict zones. In particular Finland and Switzerland have exported arms to the Middle East and Southern Africa (Hagelin, 1990:58,75,104).

For the neutrals economic and technological pressures on their arms industries will make a restrictive arms export policy harder to maintain. Even more formal restrictions may not prevent 'actual' loosening of restrictions. This is especially possible if public opinion fails to draw the distinction between formal policy and its implementation (Hagelin, 1990:107). Indeed, it is the process of policy implementation that is important rather than the policy itself. An example of the
importance of understanding policy implementation is provided by former Israeli intelligence officer Ari Ben-Menashe. He wrote that when the Israeli intelligence community bought weapons for Iran from European countries the Europeans would not release the equipment “without Israeli end-user certificates to cover themselves from their own parliaments - even though they knew that the material was going to Iran. The countries involved were Austria, Belgium, and Sweden until that country’s prime minister, Olof Palme, said no” (Ben-Menashe, 1992:111).

Within the neutrals two important conditions in support of arms production and arms exports have been identified. One is the contact between the government, the military, and industry representatives and the other is the secret nature of arms export policy. Since armed neutrality is established policy there exists a common interest in that policy among the military, industrial groups, the employees and union of arms manufacturers, bureaucrats and government policy makers. The military hierarchy is likely to support domestic arms production as long as the output is competitive internationally (Hagelin, 1990:24). The result is a large constituent in favour of domestic military production and arms exports. When government and government agencies consider arms export proposals there exists a strong predilection towards support despite the ‘official’ restrictive policy (Hagelin, 1990:25).

People within the military-industry-government complex are unlikely to voice criticisms of arms sales and critiques will occur only when arms sales become a
public issue for debate. For defence export issues to be raised an active and concerned public is needed and this can be facilitated through the media or by informed people or groups. The catalyst could be a particularly controversial or illegal arms sale, potentially leading to public demands for tighter export restrictions. Since the Government supports arms exports it may well try to minimise public awareness by employing secrecy and limiting information available to the public concerning arms exports, thus keeping the issue off the political agenda (Hagelin, 1990:26). The experience of the neutrals, in particular Sweden, indicates that frequent public demands for a more restrictive arms export policy are necessary for this to occur. Without such demands government policy, and especially policy implementation, will follow previous pro-export norms and pressures (Hagelin, 1990:26-27).

There are a number of general points that can be made about arms production and arms exports. Weapons innovations often have less to do with warfare itself and more to do with political, economic, and technical factors. Political elites want new weapons for political purposes, often for influence within their region as much as for defence against actual military threats. Arms manufacturers produce weapons for profits. Both groups perceive power as depending on new military technology (Pearson, 1994:9). Often the capital-intensive high technology militarisation many states aspire to is ill-matched to their actual defence needs. Also, defence strategies that rely on high technology weapons are very costly to develop and maintain (Pearson, 1994:49-50, 64).
As arms exports are required for profitability, and as foreign states have different defence needs to those of the producer state, the weapons produced may not match the producer state’s own needs. There is also a strong tendency for defence budgets to reflect previous spending levels rather than changed strategic conditions. Arms manufacturers can pressure governments into procuring weapons which they may not want in order to maintain the manufacturer’s profitability and its capacity for possible future needs (Pearson, 1994:35,43,46). Compared with other sectors of the economy defence industries are not profitable (Kapstein, 1992:97). If a government wants to stimulate economic development and technological competitiveness a far better approach than defence spending is to invest in education and research (Kapstein, 1992:192). Military production is often too technologically sophisticated to be readily adapted to civilian production (Hagelin, 1990:8).

Once an arms industry has been established it is very hard to reduce its size. Trade unions, local politicians, local communities and interest groups develop vested interests in sustaining the defence industry (Pearson, 1994:33). Other concerns also arise; for instance, in 1989 Vaclav Havel, a noted humanist, became president of Czechoslovakia and promised to eliminate Czechoslovakia’s controversial arms exports. However, he quickly realised that to do so would destroy one of the Slovak region’s last viable industries, leading to economic turmoil in that region and possibly to national disintegration. Havel decided that the lesser of two evils
was to continue arms exports, although Slovakia did eventually secede (Pearson, 1994:3).

With regard to arms exports the pressure on arms producers to export will continue to increase. Despite the possible tightening of ‘official’ restrictions on arms exports the ‘actual’ implementation of arms export policy is likely to be looser for a number of important arms producers. For instance, although in 1971 West Germany adopted a policy of restraint in arms sales, economic imperatives led to this policy being significantly eroded (Krause, 1992:134). During the mid-1980s unions and industry groups tried to force the West German Government into selling Leopard II tanks to Saudi Arabia. The West German Government only just managed to resist this pressure. However, licensed production of German weapons has on a number of occasions subverted German export controls (Krause, 1992:146-147). Another problem is that the growing internationalisation of arms production in Western Europe can create situations where one country can refuse an export application while a partner nation could approve the application. The practical effect of this is that exports are channelled, at least on paper, through the country with the weakest arms export restrictions (Allebeck, 1993:210).

It is often the case that the legal controls on arms exports are a poor guide to the actual implementation, or even intent, of that policy. For example, France officially prohibits arms exports to belligerent countries engaged in conflict and refuses to sell weapons to countries likely to use them for domestic repression. French policy also restricts the sale of high-technology weapons. Despite these policies France
has openly sold high technology weapons to Iraq during the Iran-Iraq war as well as to repressive regimes and regions of conflict. Britain and Germany are in a similar situation to France (Krause, 1992:145-146).

Both the arms industry and arms exports have attracted accusations of entrenched corruption. In the US this has involved improper links between politicians, the military and defence manufacturers when contracts have been issued. In other countries, such as Indonesia and Thailand, this has involved high ranking officers accepting bribes or other private gains from military production (Vayrynen, 1994:26). In Britain it is alleged that the former Prime Minister Margaret Thatcher’s son, Mark Thatcher, was involved in illegal arms sales to Iraq during the Iran-Iraq war (Ben-Menashe, 1992:283-285). There is also the threat that the military-industrial complex poses to democratic decision making. As US President Dwight D. Eisenhower stated in 1961:

“In the councils of Government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.” (President Dwight David Eisenhower, Farewell Address, January 17, 1961: Quoted in Kapstein, 1992:91)

In the future the global arms system will be characterised by over-capacity in arms production in an increasing number of countries. European arms producers are already suffering a reduction in demand and production. The United States and Russia are both cutting defence spending. Such a competitive environment is likely to result in new arms producers, such as Japan and Brazil, being overwhelmed by
the existing producers who already possess various advantages. All arms producing countries may find government intervention necessary to support otherwise non-economically viable arms industries. Only countries that can sustain high levels of subsidisation or join in co-operative projects will be able to maintain the production of advanced weapons while other producers will struggle to maintain their position (Krause, 1992: 213).

The best strategy for a country’s domestic economic growth and arms control is the conversion of arms industries to civil production. This process, however, has proved to be difficult and slow. The short term consequences of such a move can include job losses, costly environmental clean-ups, and regional economic dislocation. However, the longer term benefits are increased economic growth and employment through the diversion of skills, creativity, financial and material resources, from military production to civilian output. For these benefits to materialise the resistance of industry, union and other economic interest groups will have to be overcome, so dramatically slowing the process (Wulf, 1993:26).

When analysing the issue of arms production and arms exports it is important to note that there are often underlying, and less obvious, forces influencing policy. One of these is the particularly narrow conception of how the state and the ‘people’ can achieve security which is present within the international policy-making community. This construction of international politics, which emphasises the role of sovereign states, is not neutral and is often inappropriate for many states, and peoples. The principle of state sovereignty is a form of structural
coercion that disempowers Third World state actors and legitimises material inequality. It creates dependence by promoting capital intensive militarisation (Krause, 1992:197-198). It also legitimises the use of military force against domestic opposition in order to maintain ‘stability’ and state cohesion. The narrow conception of international politics leads government leaders, foreign ministries, diplomats and government officials to generally favour the export of arms to strengthen relations between themselves and foreign governments (Pearson, 1994:56). It also leads to the belief that to do so is one of the most effective ways to increase a country’s power. As Krause states:

“arms transfers and production cannot be understood outside of their historical context or the structure of world politics, and must be seen as part of the greater web of economic, diplomatic and socio-cultural interactions between weak and strong states”. (Krause, 1992:215)

It is apparent that most of the world’s arms producers face problems of over-capacity and shrinking demand. A large number of these arms producers have identified arms exports as a potential saviour for their arms industry. These pressures have meant that defence export controls, no matter how strong, have often been subverted in order to gain defence exports. However, over-production and large quantities of modern surplus equipment have swamped the world’s arms markets. At the same time world demand for arms has been dropping, so leading to a buyer’s market. Arms exports are unlikely, therefore, to support arms industries in more than a few countries. Whether national arms industries survive or not may
well depend on the level of subsidy their governments are prepared to provide. The other conclusion that can be drawn from this experience is that Australia faces similar problems to those faced by many other countries. They have each confronted these problems in a similar manner despite the fact that there is little likelihood of their approach succeeding. The next chapter provides an analysis of the underlying values of Australia’s security policy-making community.
CHAPTER 3
AUSTRALIA’S DEFENCE AND FOREIGN POLICY-MAKING CULTURE

The key factor behind Australia’s current defence export policy is the defence and foreign policy-making culture in which it was made; a culture dominated by the Realist and neo-Realist theories of the world. This chapter therefore first discusses Realist and neo-Realist theory and the particular view of the world these create before turning to the dominance of Realism and neo-Realism in Australia and their impact on policy making. Unfortunately there have been few studies of the culture and theoretical base of the International Relations, Foreign Affairs and Defence communities. In the International Relations area the exceptions are Jim George and Martin Indyk while in the field of Australian Security, Michael McKinley and Graeme Cheeseman have made a number of important contributions to a better understanding of the values underpinning Australian policy. This chapter therefore draws extensively on their work.

Realism gained its dominant position in the International Relations communities of the western world during the post-World War II period as it seemed to provide an explanation for Fascism, World War II and the onset of the Cold War. At the heart of Realism is the proposition that there is a separation between that which is foundational, eternal and irredeemable, in other words ‘facts’, and that which is corrupted by culture, language and history (George, 1994:223). The first is seen as
being able to be 'objectively' analysed while the second is seen to be too
'subjective' for 'factorial' analysis.

Realist analysis is based on the assumption that there is an 'object' or 'sphere of
reality' which is independent to the observing 'subject'. From these propositions
Realism constructs what we can know and constrains the questions that can be
'legitimately' asked; and so, ultimately, constructs its own reality. Indeed social
and political analysis is merely seen as observing the 'facts' and not as theorising
(George, 1988:69-70). With Realism the most important actor in world politics is
the State. The State is seen as a unified entity, whose existence, boundaries
legitimacy, interests and ability to make 'rational' decisions are taken as 'givens'
and the pursuit of power is the State's number one interest. As well, Realists
believe that 'rational' terms can be used to analyse and predict the behaviour of

By the early 1970s the defeat of the United States in the Vietnam War had
illuminated a number of problems with Realism:

"Realism was increasingly recognised as a simplistic, ethnocentric, and
ideological articulation of Western (primarily North American) interests,
seemingly incapable of dealing with a complex international arena."
(George, 1994:112)

However, this brief opening to critical self analysis was soon closed by a resurgent
Realism in the form of neo-Realism.
Contemporary Western society has increasingly turned to neoclassical economics, and neoclassical economists, for answers to their apparent problems. Economists have become increasing assertive within the intellectual community and within the political process and have continuously broadened the range of topics thought appropriate for neoclassical economic analysis. The development of the neo-Realist perspective was greatly influenced by neoclassical economic themes (George, 1988:114). Using the principles of neoclassical economics, neo-Realists see the State in utilitarian terms and the international State system is seen as a competitive ‘market’ in which States seek to maximise their ‘objective’ interests. The relationship between States is seen as a continuous struggle for scarce economic and political resources (George, 1988:100).

Realism and neo-Realism in the 1990s remain centred on the State and the opposition between international and domestic politics. International politics is seen as anarchical, fragmented and representing a threatening ‘other’ which must be controlled, disciplined and ordered for the common good. Domestic politics, on the other hand, is seen as a rational, coherent, homogenous ‘self’ not needing to be ‘controlled’. Indeed, domestic politics is taken for granted to such an extent that its analysis is seen as unnecessary by International Relations scholars. In this sense an international ‘other’ is diametrically opposed by a domestic ‘self’. This creates a self-generated legitimacy for the Realist/neo-Realist perspective. Indeed, this particular ‘image’ of the world has become International Relations; Realism and neo-Realism have created their own ‘reality’. In the process other forms of analysis
or political conduct are delegitimised and described as irrational or ideological. Realism/neo-Realism is seen as the only legitimate way to understand global human society (George, 1994:223).

For neo-Realists any social system which lacks an orderer must be beset by conflict. It is therefore believed that a central governing authority or hegemon is required to maintain order in the international system. It is judged in the interests of all ‘rational’ States to support institutional mechanisms, such as the IMF or World Bank, which produce the ‘order’ originally established by the Hegemonic orderer, the United States (George, 1994:121, 128). A major criticism of Realism is that its perspective of the world is that of the large capitalist States and that the structural stability and political order sort serves these State’s interests. Indeed, for neo-Realists of the 1980s and 1990s the crucial issue has been the maintenance or reassertion of US Hegemonic power and through it, by definition, the establishment of international stability and order (George, 1994:128).

For Realists/neo-Realists power ‘speaks for itself’ and is said to equal the military might of a State. The military aspects of national security are given pre-eminence and other aspects of power such as ideology, morale, or commitment are generally disregarded (Dupont, 1990:2; George, 1988:100). Realists see in the International system continuous ‘threats’. This is because, as Realists view the International State system as competitive, anarchical, and governed by power politics, all other States within the system must inherently represent some form of threat, at least
potentially. For this reason small states are seen as potentially threatening to even the largest States (George, 1994:205).

Neo-Realists refuse to recognise the post-Vietnam war period as more ‘progressive’; a period when previously unheard voices have, at least partly, been heard (George, 1994:128). These voices included those from independence movements, separatist movements, environmental and women’s movements. Neo-Realism, like Realism, deals predominantly with maintaining the status quo and is silent on complaints regarding the way the system works; complaints made by the disenfranchised and underprivileged (George, 1994:134). The logic of the ‘system’ makes explanations for change in international relations elitist:

"Change can only occur spontaneously as part of an accommodation of interests between those with the capacity to make change happen. As a result, propositions which indicate (say) a growing class, anti-state and/or anti-nuclear consciousness among the world’s peoples can be simply dismissed as ‘irrational’, ‘normative’, ‘idealistic’, ‘ideological’ and lacking in serious intellectual merit.” (George, 1988:101)

Change can only occur in an anarchical system, it is argued, from the elite and when it is in the interest of the major powers. Realists see only danger in trying to make the International System more egalitarian and democratic (George, 1994:117). For neo-Realists people are mere passive receivers of a reality that is imposed upon them by historical, utilitarianist, and universal ‘facts’. The complexity of politics is not recognised, but rather analysed in economic terms as comprising simply an effort to achieve economic ends (George, 1988:102). Realists
fail to analyse the anarchy created in societies by strong governing authorities, and
the whole issue of domestic anarchy is rarely discussed. Only external factors
which impose upon States are analysed, not domestic ones (George, 1994:121).

The Realist mainstream of political, diplomatic, strategic, and intellectual elites,
continues to represent the world in terms of sovereign States, anarchical State
centric conflict, modernist universalism, power politics logic and utilitarian
neoclassic economic models of behaviour. This, at a time when the world confronts
massive problems of social inequality, environmental degradation, religious and
ethnic tensions, globalised drug cartels, and an interdependent world economy. The
impact of global economic change on the vast majority of the world’s people is
ignored. Realists continue to seek new anarchical ‘threats’ to world order in the
form of Third World terrorism, Islam, protectionism or separatism (George,
1994:199, 225, 228). Jim George writes that:

“(F)or all its jargonised appropriation of (neoclassical) economic insights,
neo-Realism, the dominant representation of global life in the 1990s, retains
its traditional interest in status quo order and patterns of domination and
control and, more specifically, at the end of the Cold War, in the foreign
policy interests of the United States, as world Hegemon.” (George,
1994:225)

Realism/neo-Realism is unlikely to seriously re-examine its theoretical
underpinnings as its non-systemic, reductionist and ‘practical’ approach to subjects
discourages debate on theoretical issues (Dupont, 1990:2). Again, as Jim George
writes:
"(Neo-Realism) has seen some of the most closed aspects of western modernism projected back to centre stage, via a resurgence of structuralist deductive modelling and rational-actor game theory, designed to scientifically insulate Realism from its interpretivist critics. All this, plus an overlay of (neoclassical) economic jargon, has seen the International Relations discipline unequivocally retain its "backward" status in the era of neo-Realism." (George, 1994:118)

The Australian International Relations and Security communities are dominated by the Realist-Rationalist discourse. The main theoretical difference between the Realists and Rationalists in the Australian context has been over the possibility of common interests between States. Rationalists believe that common interests between States can form the basis for reforming the International System by creating an international community and introducing law, order and ethics into the conduct of inter-State relations. Realists, as described above, see the world as essentially anarchical and are sceptical of any chance of making the world more just or peaceful (Indyk, 1985:266).

The overwhelming concern of Australian post-World War II International Relations scholars was the problem of developing strategies to deal with the perceived vulnerability of Australia as a European enclave in an unstable Asian region, the key issue was Australian security (Indyk, 1985:268). World War II had discredited the Idealist view of the world and Australian academics were greatly influenced by the Realist explanation of the inter-war period. However, this influence may not have been sufficient for realism to totally dominate the Australian discipline in the way it has. Rather it was reinforced by the constant
perception that Australia was threatened by Asia and that Australia’s small European population inhabited a large continent and so needed protection. This perception encouraged a Realist approach to Australia’s foreign and security affairs. Since the solution to Australia’s security concerns was seen as gaining a great-power protector, first Britain and then the United States, Australian International Relations academics concentrated their attention on the balance of power between the great powers as much as on Australia’s own region (Indyk, 1985:268-269).

During the 1960s the study of International Relations took an institutional form with the establishment of the Department of International Relations and the Strategic and Defence Studies Centre (SDSC), both at the Australian National University. During the 1960s and 1970s the study of International Relations within Australia was dominated by J.D.B. Miller and Hedley Bull (George, 1992:38). The assumptions that underpinned the Australian International Relations discipline were that the sovereign State was the basic unit of analysis, inter-state relations are anarchical, that ‘rational’ terms, such as national interest and the pursuit of power, can be used to understand the behaviour and nature of States; that despite occasional shared interests between States this does not undermine the essentially conflictual nature of international politics (George, 1992:38).

This particular view of the world had important implications both for foreign policy choices and future intellectual inquiry. As Jim George has written:
“In its major period of institutional development the discipline in Australia has ... portrayed its image of reality as primarily the endemic struggle for power and security between sovereign atomised states engaged in self interested conflict over scarce political and (occasionally) politico-economic resources. Set in cold war terms this ‘reality’ imposed upon Australia the necessity of protection against enemies of the West and support for the leader of the West - the United States of America. In simple terms then ... Australian foreign policy must be inexorably linked to United States foreign policy. In this circumstance the role of alliances between states, always a concern of Australian’s in one form or another, has taken on even greater importance as Australian IR specialists and policy-makers have sought to balance a succession of (perceived) threats via integration with the global nuclear strategy of our postwar ‘great and powerful friends’.” (George, 1992: 38-39)

As will be discussed later, this concern with alliances is still important in Australian thinking in terms of the ANZUS alliance and new informal alliances with Asian countries described by Australia’s Foreign Affairs Minister, Gareth Evans, as ‘Comprehensive Engagement’ or, more recently, ‘Partnership with integration’.

Another important view held by the Australian international relations, defence and foreign policy-making community is that States should be unified entities. There was, and still is, strong opposition to movements that threaten State unity such as separatist movements. This particular policy has strong roots left over from Australia’s decolonisation of Papua New Guinea and is evident today in Australia’s support for the PNG Government against the Bougainville separatists (Broadbent, 1992).

There has been some debate within the International Relations community in Australia between the Realists and Rationalists; the Realists concentrating on Australia’s search for security and the threat of Asia, while the Rationalists were
more concerned with coming to terms with Asia. However, the experience of World War II, the sense of national vulnerability and the turbulence in Asia all helped to confine this discourse. Central issues such as the alliance with the United States were rarely, if ever, challenged (Indyk, 1985:270-217).

The Australian Realist International Relations community generally supported Australian and United States involvement in Vietnam as a counter to China. They feared that if the United States pulled out of Vietnam it would pull out of all Asia, leaving a vacuum which China would fill (Indyk, 1985:279-280). This concern has recently been resurrected in Strategic Review 1993 (Department of Defence, 1993:9-10). While the Australian Realist analysis suffered from its underlying theoretical flaws, it was also hindered by its domestic environment. The Government was very sensitive to criticism of its Vietnam policy and many academics seem to have concluded that it was easier to accept the Government’s line than question it (Indyk, 1985:284). J.D.B. Miller, a leading Australian International Relations academic of that period, wrote that during the Vietnam War:

“Dissent was frowned upon, questions about the sources of information were discouraged; and it was made clear, in many situations, that if academics and others interested in international studies could not agree with what the government was doing, or wanted to ask awkward questions, they should remain silent.”(Miller, 1983:140)

The Vietnam War illustrated the inability of the Australian International Relations discipline to tackle questions about the utility of its state-centric basis of analysis or
whether its historical methodology was appropriate. During the 1970s nothing happened to change this (Indyk, 1985: 286-287).

When the international political environment grew colder during the late 1970s and early 1980s the Realists reasserted themselves, and they continued to insist on the need for United States protection (Indyk, 1985:293). Analysis continued to be centred on the central balance and the Soviet threat. The Rationalists within the Australian International Relations community, and especially those academics wanting to promote Australia’s ‘coming to terms’ with its region, found a new cause in the demand by the Third World for a New International Economic Order (NIEO); and in particular ASEAN’s demand for greater access to Australia’s protected markets. The new concept was first promoted by economists but was later taken up by some International Relations scholars. It involved Australia’s economic integration with the region through a lowering of tariffs to imports from the rapidly developing ASEAN countries and the restructuring of Australian industry (Indyk, 1985:293-294). At the time Australia’s trade with Asia was steadily increasing. There was also a wider context of a United States drive for more open markets. However, by the late 1970s these radical proposals had succumbed to the domestic realities of Australia which made impossible at that time the restructuring of industry necessary for regional integration (Indyk, 1985:294). These proposals had to wait until the recession of the early 1980s, which led to increased calls for economic change, and the Hawke Labor Government of the mid 1980s, before they were fully endorsed.
The late 1970s saw the first real efforts at analysing Australian defence policy in the light of the Vietnam war and the Nixon (or Guam) doctrine. Des Ball, Robert O’Neill and Ross Babbage led the way in this regard. While none of them could be described as radical, and all used a Realist frame of reference, they all highlighted the need for change in Australia’s defence policy. The question was what would replace the existing policy of forward defence? All argued for a continental and self-reliant defence policy and set about exploring the practical implications of such a policy. This was at a time when the Government was trying, as it still is, to define what constituted a ‘threat’. While the work of these academics has to some extent been incorporated into official rhetoric their effect on policy and actual practice has been far more limited (Indyk, 1985:296-297).

The cornerstone of the Realist prescription for Australia’s security policy has, since the 1950s, been the alliance with the United States. During the 1980s, however, the alliance came under both a Realist and Rationalist challenge. The Realist challenge came as a result of the Guam doctrine, which qualified United States support for its allies, the U.S. withdrawal from Vietnam, which raised questions about the United States role in Asia, and the British withdrawal from East of Suez, which made problematic Australia’s defence links to Asia through SEATO and the Five Power Defence Arrangements. This resulted in, at least initially, a greater emphasis on the defence of continental Australia and increased defence self-reliance. The Rationalist challenge was Australia’s political and economic push into Asia, and the seeking of security ‘with’ and not ‘against’ the region. The Realist challenge was met by
arguing that the alliance with the United States gave Australia certain ‘practical benefits’, and so leading to the pathetic phrase ‘self-reliance within an alliance framework’, made by Gareth Evans and Kim Beazley. The Rationalist challenge was met by asserting that the alliance with the United States increased our status within the region and so assisted our relations with Asia. It was also asserted that Australia could act as a bridge between Asia and the United States. It was therefore possible for both the Realists and Rationalists to continue to support the alliance with the United States without challenging their core assumptions (It should be noted that both Realism and Rationalism share many similar assumptions anyway). Indeed, with regard to the alliance with the United States and the push into Asia there has been a remarkable degree of unity within the Australian International Relations discipline over the past decade.

Another area of tension between the Rationalists and Realists has been Australia’s engagement with Asia, a process encouraged by Rationalists but treated more warily by the Realists, and its effect on defence policy. This tension has been met by concentrating defence policy on threats ‘to’ the region and not ‘from’ the region. This has allowed both cooperation with ASEAN countries, including military cooperation, as well as providing a rationale for the maintenance of defence spending and a force structure containing strategic strike assets.

The Guam doctrine, and the U.S. withdrawal from Vietnam, seemed to raise questions regarding the idea of United States troops coming to Australia’s defence. The argument that the alliance provided Australia with ‘practical benefits’ was seen
as the 'sophisticated' case for the alliance. These 'practical benefits' are said to include access to advanced military equipment, intelligence sharing, joint exercises, supply and support agreements, and political access to United States decision makers. They have all been comprehensively shown as both lacking substance and being problematic (see Cheeseman and McKinley, 1990, 1992; Brown, 1994). These 'benefits' are often placed in the context of the common values, history, political characteristics and national interests supposedly held by both the United States and Australia (Cheeseman and McKinley, 1990:5).

During the 1980s the Australian Labor Government described its defence policy as one of self-reliance. The 1986 Dibb Review did present a defence strategy and force structure that went some way towards meeting this goal of self-reliance. However, pressure from the United States, the Australian armed forces and domestic defence critics caused the Government to reinforce its subsequent defence White Paper entitled 'The Defence of Australia 1987'. It was made clear that the United States alliance remained central to Australia's defence posture and that Australia still intended to pursue the West's global security interests.

As part of the Government's defence strategy it embarked upon a major re-equipment program. However, as the cost of this program rose and the money available for defence shrank the Government found itself having to find some way of funding the difference. It did this by reducing its stores of weapons, spare parts, and other equipment, along with selling of defence assets and trying to increase defence exports. To cover this it has made a number of agreements with the United
States which the Australian Government claims ensure Australia would have access to United States weapons and spares in a time of crisis.

Therefore, despite the end of the Cold War and the ‘new world order’ Australian defence policy still had as its cornerstone the alliance with the United States. This was not for any direct help in the form of combat forces Australia might expect but rather the above mentioned ‘practical benefits’. Indeed, Australian politicians stated that without this support Australia would be unable to defend itself or play a major role in regional security. By the mid-1990s Australia had become truly dependent on the United States for much of its sophisticated weaponry and the ability to support it in both times of peace and war (Cheeseman and McKinley, 1992:209).

A second factor in maintaining the alliance with the United States has been the expansion in the security ‘role’ Australia has set for itself. While the Dibb review limited this role, the 1987 defence White Paper and following statements have seen it progressively expanded. It now involves contributing to regional as well as local defence and is both activist and interventionist. In Southeast Asia, Australia aims to be a bridge for the introduction of United States high-technology weaponry into that region. In the South Pacific, Australia appointed itself the region’s protector of Western security interests and aimed to be able to exert decisive military power independently. As the Australian Government has stated, this expanded security role would depend on support from the United States (Cheeseman and McKinley, 1992:210).
With regard to Southeast Asia and the South Pacific the 1987 Defence White Paper stated:

“We share a common concern with these countries to strengthen regional stability and to limit the potential for external powers to introduce tension or conflict. This Government is concerned to sustain a favourable regional strategic environment for Australia. In the years ahead, our capacity for security co-operation in the South-West Pacific and South-East Asia will expand because the numbers of major naval vessels in our fleet will increase, our Air Force will have an in-flight refuelling capacity, our Army will be more mobile and deployable ....” (Department of Defence, 1987:6)

Australia’s Minister for Foreign Affairs and Trade, Senator Gareth Evans, gave a similar view in his 1989 statement entitled: ‘Australia’s Regional Security’. The statement saw the primary interest of Australia’s foreign policy as “protecting Australia’s security through the maintenance of a positive security and strategic environment in our region”. (Evans, 1989: Para 1) The most important factor in achieving this was Australia’s military and politico-military capabilities. The statement went on:

“The capability of Australia’s armed forces should be seen as having relevance not only for the defence of Australia, but for the region as a whole. Australia’s possession of significant military power contributes to the strategic stability of our neighbouring regions, providing a ‘secure south’, for South East Asian countries, and a ‘secure west’ for South Pacific Nations.” (Evans, 1989: Para 1, Para 69; also Cheeseman and McKinley, 1990:18)

The statement does not justify any of these claims. The last part of this statement seems particularly bizarre. If Australia had no military forces, how would that
constitute an ‘insecure south’ for South East Asia. Who could take advantage of Australia’s weakness to attack South East Asia from here - Antarticans? Gareth Evans, in his statement, went on to argue that Australia’s participation in various forms of defence cooperation with the ASEAN countries:

"would ensure that, if a more structured regional defence community ever eventuated, Australia would be a natural participant." (Evans, 1989:Para 81)

This last statement seems to continue the Australian Realist tradition of looking towards alliances to ensure Australian’s security, whether with the United States or ASEAN.

Senator Evans’ statement confirmed that Australia’s policies for regional security depended on our military capabilities to control our security environment (Cheeseman and McKinley, 1990:25). Another indication that Australian decision-makers held military considerations to be the primary policy instrument was Australia’s hasty decision in 1990 to send military force to the Persian Gulf. This decision was made by Australia’s Prime Minister, Bob Hawke, without consulting Cabinet, the Ministry, the Labor Caucus, the Opposition, or Parliament. The Department of Foreign Affairs and Trade and its Minister also seem to have been largely ignored in Hawke’s decision (Cheeseman and McKinley, 1990:25).

In Australia the Gulf War was marked by serious limitations in the political debate. The opportunity to expand the political discourse and debate what role was
appropriate for Australia in that and other contexts was missed and indeed actively discouraged, while political debate was generally met with hostility or at best ambivalence. There was a readiness to accept the Government’s stifling of debate and the ritual nature of the parliamentary discussion which occurred after the event. There was also a hasty return to familiar stereotypes to describe events and a reluctance to consider the possibility of different policy choices to those offered by the Government, along with a general feeling of being carried along by events (Richardson, 1994:73).

James Richardson makes the point that an important factor in shaping Australia’s response to the Gulf crisis was the national security sub-culture. This sub-culture was made up of the policy community, including the intelligence community, who advise the Government on matters of foreign policy and defence.

“(T)his sub-culture ... is likely to have prompted the Government to respond as it did, and to have reinforced its subsequent stand. It may be surmised that not only is commitment to the American alliance beyond question in the sub-culture, but that the reasons are as much a matter of a perception of Australia’s role as the insurance policy philosophy .... That is to say, Australia is perceived as part of the Western community, on the side of ‘order’ and ‘stability’, an adjunct of the dominant global power rather than an independent member of its region or, except in specific limited contexts, an independent middle power. It may also be surmised that the sub-culture is strongly influenced by a rather ‘hard-nosed’ version of traditional Realism, that the use of force is perceived as at times a necessary instrument of policy and that the efficacy of economic sanctions to achieve important political ends is dismissed without further investigation .... In such a sub-culture public debate of the issues would be seen as at best an irrelevance, at worst an impediment to policy-making in the national interest, best ‘managed’ by the kind of pre-emptive decisions and consensual rhetoric which were adopted by the Hawke Government.” (Richardson, 1994:95)
Another important characteristic of the foreign affairs and defence policy-making community is its domination by men. Not surprisingly, the foreign affairs and defence sub-culture almost totally excludes the concerns of women. The policy-making community has failed to confront revelations about how notions of masculinity and feminity are crucial to the concept of power. Ignoring the role of women in international relations encourages the view that certain relationships of power are merely matters of culture and taste. Because of this the role of male control over women in international politics has not been analysed (Enloe, 1989:3-4).

Within the policy community 'manliness' is seen as been crucial to the conduct of foreign affairs and more recently economic affairs. In international politics it is used to justify risk-taking (Enloe, 1989:13). During the 1980s international diplomacy and international finance seemed to converge in their conceptualisation of the world and the form of masculinity required to wield power (Enloe, 1989:12). This conception was evident in the language used to describe policy choices. Positive descriptions were 'tough', 'hard headed', 'uncompromising', 'single minded', or aggressive while negative descriptions were 'soft' or 'lacking guts'. The political costs of masculinised approaches to international politics and finances are rarely highlighted. For instance during the 1980s the policies of a 'masculine' international banking system destabilised more governments than the combined efforts of all the world's terrorists (Enloe, 1989:159).
The effect of theoretical approaches that disregard women can be seen in the Philippines where women peasant activists have become the objects of the United States counterinsurgency doctrine called ‘low-intensity conflict’. This doctrine uses a broad definition for so-called insurgencies including peasant activists or union officials. This definition is used to justify intimidation, local disruption and harassment, which is carried out by government-supported vigilante groups or regular troops. In practice the ‘low-intensity conflict’ doctrine classifies activities such as food cooperatives and day-care centres, which rural women see as crucial to effective land reform, as subversive and so legitimate targets for counter-insurgency operations. The independence of women in rural areas has been undermined and the power of local men protected (Enloe, 1989: 147).

This example has two important implications for Australia. The first is that Australia has a military aid program to the Philippines, which helps increase the effectiveness of the Philippines military and police forces and so, indirectly, helps in any repression of local people. The other implication concerns our security alliance with the United States. One of the justifications used to support the alliance is that it allows Australian forces to train with U.S. forces and learn their tactics and military doctrine. This often involves exchanges of personnel and study trips to the U.S. This could well mean that the Australian military forces are learning the same ‘low-intensity conflict’ doctrine which is proving so repressive in the Philippines. The influence of United States doctrine could also influence the form our aid program takes.
In the pursuit of security Australia has committed excesses and has been far from 'moral' in its actions. The literature on Australia's military history is filled with language which hides the moral ambiguity of our past. For instance Australians 'landed' in Gallipoli, not invaded. This denial of memory makes the evil of war more acceptable, desensitised the horror of war, and makes war and its atrocities easier to commit (McKinley, 1990:2-5). Indeed, it could be argued that, with the possible exception of the war with Japan, Australia has been an aggressor in all the wars it has fought. Certainly none of those 'enemy' countries, again with the exception of Japan, attacked Australia or even declared war on Australia. This is not to argue that Australia should not have become involved in these wars, but rather to point out the bias in Australian historical discourse regarding that involvement.

The Australian response to conflict has been 'reflex', being made without any deep examination of the policy options available, or even being informed of the issues at stake (McKinley, 1990:15). The reason for this, argues Michael McKinley:

"lies in the representation of Australia as a dutiful, honourable ally throughout a past seen as a pageant of generally successful expeditions in great causes .... Whereas, down the years, the United States thought prudent, even in realpolitik terms to absent itself from three-quarters of World War I and one-third of World War II, and Europe's SEATO powers excused themselves from Vietnam, Australia enthusiastically responded to each call - in the last case hearing one that was never spoken. Even when Europe became decidedly uneasy with the thought of nuclear balance between the Superpowers, the only observable deviation was towards rather than away from deterrence with a tripling of the required notice-to-terminate the joint agreement relating to North West Cape. The possibility of negotiating another position, as had many, at any of the appropriate junctures was left untouched." (McKinley, 1990:15)
That Australia has committed these acts in the name of security in no way reduces their immorality. For Australia ‘security’ has entailed being embroiled in the evils committed by Great Powers. Indeed, the ‘security’ Australia has pursued has been so broad in definition as to be undeserving of that term. This tradition of so defining security is little changed from how contemporary Australia defines ‘security’ (McKinley, 1990:5-6).

The general theoretical problems evident in the Australian international relations community’s treatment of national security have been exacerbated by factors peculiar to Australia. These factors are the absence of an informed and widespread debate concerning Australian foreign policy and defence issues, the strong fear of ‘threats’, a sense of insecurity, the reliance on other countries for protection, and a reluctance to develop a national security policy that is distinctively Australian. Despite the long-standing fear of threats the debate about Australian security has been marked by paranoia, emotionalism, imprecision and a poor understanding of potential adversaries and the constraints they faced, along with an inability to even define the nature of the threats to Australia (Dupont, 1990:11-12).

These factors along with the theoretical limitations of the Australian International Relations discourse have further implications for Australian International Relations theory and practice. Jim George identifies three such implications. The first implication is Australia’s commitment to globalism and various threat scenarios. Until recently the Australian policy-making community, and the mainstream of
International Relations Realists accepted as a 'given' Australia's commitment to a
globalised perspective in both theory and practice. Because of this Australia has
focused on various foreign 'threats' and the central balance. Recently a more
regional approach has been articulated by the Government but in practice this
seems to reflect the same definition of national security as inspired previous
forward defence policies (George, 1992:47).

A second implication is that throughout Australia's history it has committed itself
to fight other people's wars. These wars include the Boer war, World War I,
World War II, Korea, the Malaysian Emergency and Vietnam. In all of these
conflicts the Australian Government was supported and encouraged in its actions
by the overwhelming majority of the Australian International Relations community.
This has been particularly the case during Australia's alliance with the United
States (George, 1992:48). Despite the Australian Government's official move
towards a 'regional security' approach it quickly and instinctively committed the
armed forces to the Gulf War. It would also come as no surprise if Australia were
to make a military commitment to support South Korea in the future.

The third implication identified by Jim George regards Vietnam. The Vietnam war
exposed the Australian Realist International Relations discipline as being
inadequate and limited, in theory and practice. There was an inadequacy of analysis
by the Australian discipline. The disciplinary mainstream saw the issue as
containing a communist surge in Asia spearheaded by China. Containment in Asia
required support for the United States, the upholder of pluralist politics and
Western values, in its military ambitions. It was argued that for Australia the American alliance was the foundation of its defence strategy and its influence in Southeast Asia, and that therefore the United States had to be supported in Vietnam (George, 1992:48). This Australian Realist understanding of Vietnam failed to appreciate Vietnam’s internal complexity, due to the limitations in its theory of the state, and could not account for the level of damage able to be sustained by the Vietcong due to its use of orthodox ‘rational action’ terms. As power was seen purely in terms of military force the defeat of the United States was not predicted and indeed was unexplainable (George, 1992:49).

During the Vietnam war the dominant Realist sector within Australia marginalised and ignored critical voices, and even when the war failed to develop as predicted there was a lack of attention paid to this failure and theoretical challenges it presented. This silence is partly explained by Government pressure on the academic community. The Government was extremely critical of any dissent and this reinforced the perception within the intellectual community that if they could not support the Government then they should stay silent. This indicates a very passive attitude by academia with regard to its role concerning government, especially on controversial issues. However, since the end of the war, the Australian realist scholars have failed to confront the analytical problems, omissions, silences and rigidity of approach highlighted by the Vietnam War (George, 1992:48-50).

There is little evidence that Australian International Relations scholarship is changing in any fundamental sense. The variety of critical social theory literature
now influencing International Relations scholarship worldwide has had little impact on the Australian discipline (George, 1992:36, 51). As Jim George writes:

“This ... is not surprising. The Australian IR discipline (and indeed the wider Australian social discourse concerning international affairs) has been dominated, since its institutional inception in 1962, by a narrow and tightly disciplines positive realism that has ignored, effectively marginalised and/or actively discouraged dissenting approaches.” (George, 1992:36)

Even though Australia’s strategic circumstances have changed significantly over the past quarter-century, in security policy and practice it continues to reflect the thinking of the past. The security of a huge area to Australia’s north is seen as vital to its own security and it continues to fear threats from distant countries. Australia continues to see the need for a hegemonic power, the United States, to ‘order’ Australia’s region and provide Australia’s ultimate defence. Australia’s security strategies in the region remain the old ones of defence cooperation, the projection of military power, the use of military force in some circumstances, regional security arrangements, regional institutions and development assistance (Cheeseman and McKinley, 1990:27).

As well, Australian security policy makers pay too little attention to the range of non-military problems within Australia’s region. These include tensions created by political repression and the suppression of human rights, poverty, environmental destruction and indebtedness. In many of these cases the traditional security approaches adopted by Australia will only make these problems worse (Cheeseman and McKinley, 1990:30). This illustrates the point made by Martin Indyk:
"(P)olitical thought about contemporary International Relations can be seen as both a product of historical development and a contribution to history. IR academics are thus engaged in a discourse with history. Their ideas about the world will be generated, in part, by developments in the world, and these will in turn be affected by their ideas. Herein lies the danger of becoming caught in a Realist-Rationalist impasse. If the system of states makes no progress towards a more ordered and a more just world society ..., ideas about reforming that system become harder to sustain; and if ideas make no progress then the system of states is unlikely to change for the better, which will in turn confirm the Realist approach. Thus we become locked in a vicious circle from which there is no obvious way out.” (Indyk, 1985:301)

Indeed, the Realist dominance of Australian security thinking makes ‘Realist’ prophecies self fulfilling.

In summary, Australia’s defence and foreign policy making culture can be seen as very much dominated by the Realist/neo-Realist view of the world. Neo-Realism became influential during the 1980s and simply added an emphasis on economics to the traditional Realist theory held by Australia’s defence and foreign policy making community. Neo-Realism challenged few Realist perceptions. There is however a Rationalist influence evident in Australia’s attempted ‘push’ into Asia. This Rationalist approach does not, however, challenge any fundamental Realist assumptions. The Australian Realists and Rationalist who dominate the defence and foreign policy making community hold various basic assumptions about International Relations and Australia’s place in the world. They emphasis the role of sovereign states, and down play the role of non-Government organisations. There is support for the unity of the state and national building measures, and
strong opposition to forces that threaten the state’s unity such as separatist movements or movements for more local autonomy. They emphasise the International aspects of policy and down play the importance of domestic political concerns, such as human rights, both in Australia and in foreign countries. They emphasise the role of military and to a lesser extent economic power play in Australia’s national interests and they see military power as increasing Australia’s ‘status’. They emphasise the role of alliance’s or formal agreements between countries as a way to ensure security and so search for such agreements with Australia’s Asian neighbours while also unquestioningly supporting the alliance with the United States. Finally, and perhaps most importantly, there is a tradition within the Australian defence and foreign policy making community of not questioning present policies or analysing past failures. Indeed, self analysis and self-criticism seem near non-existent.
The changes in Australia's defence export and defence industry policies during the 1980s were set in the context of more general changes within the public service, industry, and financial sectors. These general changes and the economic ideas behind them, often described as economic rationalism, fitted in relatively comfortably with the realist-rationalist Australian policy-making culture. This chapter first describes some of the changes instituted by the Labor governments of the 1980s and 1990s before turning to the economic rationalist ideas behind them.

During the late 1970s the federal Labor Party under the leadership of Bill Hayden decided that the winning of Government would be on the basis of its perceived ability to deliver good economic management. When the Hawke Government came to power in 1983 it undertook to implement policies of market liberalisation and monetary conservatism based on similar policies in other major western countries. Labor, with a commitment to strong economic growth, increased the private business sector's share of national income (Costa and Duffy, 1993:129). The general free market ideology that swept the western world during the late 1970s and 1980s had at its base a conservative liberal idea of the 'crisis of democracy' and 'overloaded states'. The proposed solutions always involved a reduction in the economic controls held by governments and bureaucracies and an increase in the role of the 'market' (Pusey, 1991:3). As well, resources were to be transferred
from the public sector, through government spending cuts, to the private sector. Many of these ideas had their origin in the United States where continuing economic difficulties were encouraging a more parochial definition of 'free trade' and open markets.

Another factor in the Australian Government's embracement of economic rationalism is the historical balance of producer power in Australia. Traditionally farming and mining interests have been more powerful than manufacturing interests within the Australian political system. Collective manufacturing organisations, when compared with European and Asian organisations, have generally been under-resourced and reluctant to play an active role in framing the political debate (Stewart, 1994:176). Even recently when manufacturing has been recognised as important the Australian Government has not provided practical support but merely exhorted companies to export more while relying on 'the market' to provide a 'solution' (Stewart, 1994:183-184).

In Australia the general direction of these changes enjoyed the support of both major parties. There was no effective political opposition to these changes and as they were carried through by a Labor government, union opposition was minimal (Pusey, 1991:3). Indeed, major changes went through parliament with virtually no parliamentary or public debate. The 'free market' policies of reducing tariffs and deregulating the finance sector did not automatically lead to a 'hands-off' approach to Industry policy. During the early years of the Hawke Governments Senator John Button, in particular, was instrumental in developing assistance plans for various
sectors of industry; these included the steel, car and computer industries. In addition government support continued for research and development, promoting tourism, increasing exports through overseas trade offices, and giving preference to the local procurement of major weapons systems such as new submarines and frigates (Toohey, 1994:246-247). Much of this industry assistance, and the various industry ‘plans’, were successively wound back in the later years of the Labor Government.

During 1986, as a response to a severe economic crisis, the Labor Government cut 1 billion dollars from the budget and approved reductions in public servants’ employment conditions. A report into the public service released in 1986 reflected this concern with economic issues and cutting expenditure, with its overwhelming emphasis being the efficiency of program management rather than the quality of policy advice. This represented a fundamental change in how the public service was to be perceived. No longer was it policy-oriented but instead its task was seen as managerial (Thompson, 1989:224, 226-227).

During the mid-to late-1980s the Hawke Labor Government raised the issue of privatisation, especially for government business organisations. As Elaine Thompson writes:

"By mid-1987 ... government policy was clearly undergoing change. Hawke, in an attempt to use his own authority, raised for full debate the issue of privatisation as an desirable ideological principle .... The conflict between Hawke and some members of his party continued into 1988. Nonetheless the de facto policy direction that seems to have been accepted (almost in an example of non-decision-making) is that certain government assets will be sold off and that, on a case-by-case basis, the Labor
Government can legitimately assess the desirability of privatising at least certain parts of Government activity." (Thompson, 1989:232-233)

By the mid-1990s the Hawke and Keating Governments had privatised a number of important government organisations, including the Commonwealth Bank, Qantas, Australian Airways, and various government defence industry concerns. As well a number of government organisations were corporatised.

The Hawke Government, with the tentative support of the opposition, increasingly politicised the public service. Policies were implemented which reinforced the position of politicians over the public service in policy making. As well, politicians gained the right to remove senior public servants who resisted their policies. The end result of these policies was often the loss of the independence and professional experience associated with the older form of public service (Thompson, 1991:50). These changes created little political or public debate and were soon overshadowed by the various economic crises of the mid 1980s and early 1990s.

The economic crisis of the mid 1980s and the recession that followed have allowed the political agenda to become dominated by the ‘economic’ dimensions of society and politics at the expense of social concerns. Public service reform has become synonymous with reducing the role of the public sector and advocating the privatisation of Government business enterprises. The public agenda is now dominated by terms such as ‘managerialism’, ‘economicism’, and ‘rationalism’ (Thompson, 1989:233). There is a preoccupation with a managerial form of government and public service and less concern with ideals of democracy such as
representativeness, equity, devolution of functions, and flatter bureaucratic hierarchies (Thompson, 1989:227).

Another major change in perspective came in the early 1990s. While previously Australia had compared itself with other advanced Western OECD countries it now began to compare itself with the Asian nations to its north. With cuts to government spending by the early 1990s Australia was possibly the lowest taxed country in the OECD. However, various economic commentators and some politicians began to call for tax rates that matched those of Asia (Toohey, 1994:261). The Australian Government saw Australia’s economic future lying in Asia and encouraged economic links with the region and greater reciprocal trade. Increasingly ‘Asian practice’ became Australia’s proposed ‘best practice’ (Daly, 1993:75).

Asia, and in particular Japan, had begun to loom large in Australia’s export trade even before World War II. Prime Minister Robert Menzies had gained the nickname of Pig Iron Bob because of his approval of the export of scrap metal to Japan in the 1930s. By the early 1980s Japan accounted for approximately 27 percent of Australia’s exports. By 1995 Japan received around 25 percent of Australian exports, while the rest of Asia contributed around 25 percent more. The United States by comparison accounted for only 11 percent of Australia’s exports in 1995. Australia’s policy-making elite felt that Australia’s economic future lay with Asia, and by the early 1980s they, and the Hawke Government, were trying to integrate Australia economically with the region.
Despite the Government's emphasis on Asia, important issues concerning what being a part of Asia actually means to Australia in political, social and economic terms remain unexplored. As well the construction of 'Asia' in Australian political and public discourse was poorly defined with little acknowledgment of the enormous diversity of the region. As Maurice Daly writes:

"The question that faces Australia is not whether or not to join Asia but which Asia is it to be part of. The geopolitical system is changing at a rapid rate." (Daly, 1993:89)

Over the past decade Australia's political discourse has centred on the economic issues confronting Australia and their proposed solutions. These solutions have been propagated as being in the nation's 'general interest'. These arguments propound a particular understanding of what is 'desirable' and 'good'. They are supported by values and norms which are widely held in Australia's political elite, the media, and business circles and are rarely criticised or even acknowledged in mainstream economic and political discourse (Johnson, 1992:62-63).

Particular conceptions of the nature of western capitalism have played a major role in the policy process during the 1980s and 1990s. During this period the Hawke and Keating Governments cut real wages and reduced welfare payments. They justified these policies by arguing that such actions were necessary for a healthy capitalist economy which would benefit all sectors of Australian society, whether business, labor or welfare recipients (Johnson, 1992:63).
During successive election campaigns, and in his 1991 Industry Statement, Bob Hawke emphasised the common economic interests and goals shared by all Australians. Indeed, in various forms, the Liberal Party, New Right, and ACTU make similar appeals. They all attempt to appeal to the mainstream conception of the national interest and so generate popular support for both themselves and their policies (Johnson, 1992: 63-64, 68). The national interest is seen as the same as the economic interest which is reduced to the business interest (Probert, 1992:27).

Labor in power became increasingly prone to sterile economic pragmatism. The role of ideas, principles and ideology has been reduced in both government policy and public debate (Pusey, 1991:231). Donald Horne writes that:

“Traditionally, Australian’s have derided the need for theory, in the belief that they are pragmatists.” (Horne, 1992:5)

Debate within Australia has been met with nervousness and marginalisation (Schultz, 1992:95).

The press is an important institution in Australia and has played a crucial role in the propagating of a particular economic line. The Canberra press gallery during the 1980s and 1990s was generally economically rationalist. So too are the majority of economic journalists who presently dominate the editorial writers and the comments on national policy in newspapers (Toohey, 1994:214-215; Pusey, 1991:229). Even the ABC frequently uses economists from major merchant banks to comment on various economic and political issues (Schultz, 1992:95). They are
presented as being neutral observers, with their own inherent biases not acknowledged.

The economic rationalist pronouncements of Australia’s political leaders are not only supported by the media but also various new-right ‘think-tanks’ and business lobby groups. International organisations such as the IMF and World Bank also support such pronouncements as does the United States Government, with its vast economic, military and ideological resources (Rees et al, 1993:8). On the other hand the research centres of the left wing and unions are semi-voluntary organisations with scarce resources (Pusey, 1991:143).

One Government policy is to contract research work out to private firms, firms frequently dominated by economists and accountants. Their reports inevitably reflect their own particular biases and are almost always economically rationalist in perspective (Pusey, 1991:228). As well business and trade unions are massively over-represented on government advisory committees (Davies et al, 1993:150). Again this gives an economic slant to policy.

The reforms to the public service involve the introduction of a new managerialist approach. Employees no longer have secure employment but rather face frequent re-structuring of their departments, increased movement between departments and sections of departments, and a greater threat of redundancy (Emy and Hughes, 1991:430). Elaine Thompson writes that:

“managerialism has involved an overt attack on democratic, accountable Government. The new managerialism challenged notions that Governments
should be responsive to the wishes of the people and open to public scrutiny. Instead, it substituted a definition of effective Government as one based on a very narrow set of economic indicators.” (Thompson, 1992:15)

Important indicators of successful policy implementation, such as democratic accountability and greater equity can be lost in the pursuit of program goals of efficiency and cost/benefits (Davies et al, 1993:197).

Bureaucracies often develop their own interests and concerns. These can include survival, the quest for status, or expansion. As well they can develop their own particular conception of what is the ‘national interest’. Bureaucracies also tend to favour conformity and consensus over radical solutions. This creates a bias towards established policies and the status quo (Thompson, 1991:46). Although in theory politicians have control over policy, in practice public servants are intrinsically involved in policy formulation. This is especially the case with senior public servants who, while not questioning or criticising government objectives, often reformulate them (Thompson, 1991:43). Public servants also play a role in the brokerage between various interest groups and the government and in the articulation of national goals and ideals (Pusey, 1991:2). However, perhaps their most important role is in setting the agenda for their minister by deciding which policy options to propose to them. Various options may be asked for by a minister who confronts a particular problem but the proposed solutions put forward by the public service are unlikely to be either radical or adverse to the department’s perceived interests.
Over the past decade three departments have dominated the public service. These are Prime Minister and Cabinet, Treasury, and Finance. These departments have been termed the ‘central agencies’. The philosophy driving these central agencies is one of neo-classical economic rationalism and a minimalist laissez-faire state. This philosophy is both anti-statist and anti-union as well as being asocial in policy orientation. When compared with other departments the higher level officers of the central agencies are on average five years younger, more oriented towards personal satisfaction, and more than twice as likely to have attended an elite private Protestant school (Pusey, 1991: 6-7). As well they have a higher proportion of degrees in business administration, economics or accountancy. All of these factors result in the personnel in the central agencies being more conservative and less likely than personnel from other departments to support state intervention or involvement (Pusey, 1991:77, 79).

For ministers a possible counterweight to the advice of departmental advisers is in their own ministerial advisers. However, over the past decade the differences in opinion between the two groups has been minimal. One reason for this is that ministerial advisers are often seconded from departments such as Prime Minister and Cabinet, and Treasury. Another reason is that outsiders often prove to be more devoted to promoting the official family line than even the departmental officers. This was the case when Ross Garnaut worked for Bob Hawke (Toohey, 1994:151). The end result of all this is that the economic rationalist perspective dominated the Hawke and Keating Governments. During that period Treasury had
a greater proportion of its agenda implemented than had occurred in the whole post-war period (Toohey, 1994:152).

During the 1980s the Hawke Labor Governments exerted strong political control over the public service. The various departments were divided amongst the ministers along factional lines. The ‘right’ faction dominated the Government and controlled the central departments. The left and centre left factions generally controlled the service-oriented departments (Pusey, 1991:8). Senior public servants welcomed this strong political leadership and there was a strong working relationship between them and their ministers (Pusey, 1991:66-67). Both the ministers and their top Senior Executive Service (SES) staff increasingly shared a similar restrictive economics training (Pusey, 1991:8).

Australia’s top public servants see the main problems facing Australia as economic. These problems have included a decline in export markets and noncompetitiveness in manufacturing industries. However, the economic rationalism in which these problems were framed led to proposed solutions which affected a broad range of political and social phenomena (Pusey, 1991:43). As a person from the Department of Trade said:

“We are much more commercial: social values have nothing to do with our work. For example, on uranium we fight to preserve the commercial interest.” (Quoted in Pusey, 1991:96)
Australia's top public servants want less state involvement, smaller government, less government regulation of the economy and more individual incentive (Pusey, 1991:64). As well there was resentment towards so-called vested interests which were defined as any group or institution which was not part of 'the economy' or which sought to interfere in the free operation of the economy (Pusey, 1991:42). Indeed, some economic theorists argue that democracy and capitalism are incompatible (Jones, 1993:260).

While Australia’s top public servants of the period did have a coherent view of the economy this was not the case with their view of society. Rarely was the 'economy' seen as 'subordinate' to society. The economy was seen as all important and culture, norms, traditions, institutions, communities and social needs were not seen as having any independent value-setting effect on the economy. Politics is still seen as being concerned purely about economic management (Pusey, 1991:44). Such ideas encourage the view that listening to various interests, needs, or claims, is relatively unimportant as the 'system' does not depend on them (Pusey, 1991:200). Brian Toohey writes that for economic rationalists:

"Human institutions, social conditioning, culture, religion, and individual habits and foibles have little or no influence in a world characterised by the relentless maximisation of the utility gained from consumption. (Toohey: 1994:272)

For economic rationalists all people are seen as identical (Toohey, 1994:286).
Economic rationalism always results in the same budget prescriptions of cutting public spending, deregulating the private sector, and removing public controls over business (Pusey, 1991:65). Such prescriptions are often supported by abstract computer models. The Industry Commission has used the Orani computer model for various industry inquiries referred to it by the Government. The Orani model, and the Industry Commission, always give the same policy advice of eliminating any form of assistance or subsidies for industry or consumers. It has been used to support calls for a massive reduction in government spending (Toohey, 1994: 168, 179). To compound these problems the federal industry bureaucracy became dominated by generalists who lacked specialised knowledge of particular industries or companies (Stewart, 1994:192).

Within the public service increasing work pressures, cost-cutting and rationalisation have limited the opportunities for reflection in policy development and implementation. This problem is compounded by increased lateral mobility of personnel between departments and sections of departments. This results in less identification with client groups and the loss of hard won experience of the particular contexts of policy implementation (Pusey, 1991:181). Stewart writes that:

"Endless budget-tightening and often arbitrary staff cuts shackled many officials to bureaucratic 'busy work' - the preparation of briefs, answers to letters and submissions - rather than active engagement with the firms they were supposed to be helping." (Stewart, 1994:192)
The language of economic rationalism acts as a repressive ideology. It disempowers a wide range of social and political groups and limits their access to the political process, resources and status (Jones, 1993:253). Margaret Thatcher once claimed that: "There is no such thing as society" (Quoted in Toohey, 1994:52). Pusey writes that for Australia:

"(T)he triumph of economic rationalism points to a weakness of culture and civil society which is etched into the images of contemporary Australia that inform much of what is done in Canberra. We find that this state apparatus is caught within projections of reality that give primacy to 'the economy', second place to the political order, and third place to the social order. Indeed, ... since the 1970s, reality has been turned upside down and society has been recast as the object of politics (rather than, at least in the norms of the earlier discourses, as the subject of politics). Further, society has been represented as some sort of stubbornly resisting sludge, as a 'generic externality' and even as an idealised opponent of 'the economy'.” (Pusey, 1991:10)

Economic rationalism treats civil society using the same systems logic as used for the 'economy' and politics. The conditions and resources for social stability (motivated work, accepting participation, the rearing of children, the sustenance of individual identity) are seen as finding their own 'rationalisation' in individual calculations through the 'coordinating', 'efficient', and 'effective', means of the market (Pusey, 1991:21-22).

The training of economists has resulted in dissent being marginalised. Such training is, as Jones writes:

“largely ahistorical and technical and, as such, it is a powerful vehicle for obliterating critical forces and opinions from history.” (Jones, 1993:266).
The positivism of current rationalist economic theory has reduced the public service's and government's capacity for reflecting on the consequence and meaning of public policy. The social context of policy has largely been neutralised in policy analysis (Pusey, 1991:174, 176). There has been, as Michael Pusey states, an “organised forgetting” (Pusey, 1991:154). It should also be noted that, as with the International Relations discipline, economics is male dominated. At Melbourne and Monash universities only 6.25 percent of economists were women (Probert, 1992:31). The public services SES was also male dominated with only 6 percent being women (Pusey, 1991:24).

In summary, during the 1980s and 1990s the public sector under the Labor Governments has undergone radical change. These changes have included the privatisation or corporatisation of various public sector bodies, along with almost continuous cost cutting and structural reorganisations. A new managerialism has been introduced into the public service emphasising ‘productivity’ at the expense of effective policy delivery and processes of consultation, review and analysis. Greater personnel mobility within the public service has reduced specialisation in favour of ‘generalist’ skills. While there may be debate as to what extent the Government and public service is dominated by economic rationalists there can be no denying that during the 1980s and 1990s free market theories dominated the thinking of governments, the public service, the media, and the public arena during this period. This free market or ‘economic rationalist’ view fitted in quite comfortably with the traditional Realist/Rationalist views of Australia’s government and public service.
elite. The acceptance of economic rationalism was also part of the general rise of neo-Realism within Australia’s security policy-making community. These policies were integrally linked to Australia’s drive to integrate economically with Asia.
CHAPTER 5

REASONS FOR AUSTRALIA'S DEFENCE EXPORT DRIVE

Australia's current defence export policy has its origins in, firstly, Australia's policy of defence self-reliance and its associated strategy of defence in depth, secondly, in the Australian Government's emphasis on the economic aspects of policy, and thirdly, Australia's foreign policy orientation towards Asia and the associated conception of itself as a middle power. While the policy of self-reliance began the change in Australia's defence export policy, Australia's engagement with Asia has increasingly come to be its driving force.

5.1 DEFENCE SELF-RELIANCE AND DEFENCE IN DEPTH

The policy of defence self-reliance largely has its origins in the uncertainty concerning Australia's previous policy of forward defence created by Britain's withdrawal from east of Suez in the late 1960s, the end of the Vietnam War, and the 1969 Nixon doctrine. This doctrine stated that US combat forces would not automatically come to the assistance of allies of the United States and that the allies of the United States must do more for their own defence. Although the United States denied that the doctrine applied to Australia, the doctrine made problematic Australia's defence strategy of forward defence in South East Asia in close cooperation with its ally the United States.

It was some years before Australian defence policy makers and politicians accepted these new circumstances. Some progress was made during the early and mid-
1970s under the Whitlam Labor Government, and a number of defence papers written during this period developed the Defence of Australia concept. This involved the deployment within Northern Australia of highly mobile and offensive air, naval, and ground forces which could interdict attacking forces and launch counter-offensives against their bases (Cheeseman, 1993:3, 6, 7). One perceived advantage of the Defence of Australia concept was that its proposed force structure and operations strategy would work well against threats from Indonesia. At the time a number of people within the defence policy-making community saw Indonesia as Australia’s greatest threat (Cheeseman, 1993:7). The Defence of Australia concept also recognised the dangers to Australia’s defence of over-dependence on support from the United States (Cheeseman, 1993:8).

In 1976 the new Fraser Government’s Minister for Defence, Jim Killen, released a White Paper, commissioned by the previous Whitlam Labor Government, entitled ‘Australian Defence’. The White Paper emphasised that future military operations by the Australian defence forces would most likely be in Australia’s own region and would involve joint operations between the Army, Navy and Air Force. It stated that the Australian military’s force structure and training would no longer be developed to meet the requirements of operations abroad, as part of a larger allied force, but would instead concentrate on Australia’s own regional requirements. It did not, however, rule out the possibility of contributing forces to allied operations overseas if such forces could be spared (Cheeseman, 1993:8).
Australian military planners overcame the problem of no identifiable threat to Australia by analysing Australia's geography and the strategic strengths and weaknesses it entailed. This analysis emphasised the importance of the air and sea approaches to Australia and the relative vulnerability of the north and north-west of Australia. It was recognised that the major population and industrial centres of southern Australia were safe from attack (Woodman, 1993:4). The result of this analysis was the development of the 'core force' philosophy. The 'core force' could cope with low-level threats while providing a basis for expansion if a more substantial threat developed (Woodman, 1993:4). As part of this new defence strategy the Fraser Government planned to improve northern Australia's defence infrastructure and aimed to increase the level of local industry involvement in the purchasing of defence equipment (Cheeseman, 1993:9).

The movement towards this new defence policy was slowed by the Liberal Government after the Soviet Union invaded Afghanistan in 1979. Instead the emphasis shifted to closer defence links with the United States and regional countries as well as increased regional deployments of the Australian Defence Force; in particular its Navy and Air Force elements (Cheeseman, 1993:9-11).

At around the same time the 'core force' concept itself was proving less than adequate in providing an effective framework for defence planning. Two alternative views of Australia's threat environment and force structure priorities developed within Australia's defence policy-making community. Civilian military planners in the Department of Defence gave priority to low-level contingencies,
which could emerge relatively quickly, and the expansion base. The capabilities necessary to conduct such low-level contingencies were already present in a number of regional countries and such operations could be initiated with little warning. On the other hand the Australian Defence Force military planners emphasised a force structure developed for larger-scale contingencies. Such a force structure, they argued, could also meet the needs of lower-level contingencies while providing the capabilities for more likely overseas operations with Australia’s allies. Military planners were sceptical of the Government’s ability to foresee coming conflicts and felt that low-level conflicts could quickly escalate, while also fearing that the civilian planners were merely cutting costs. As a result of these disagreements, planning became stalled and force structure priorities could not be agreed upon (Woodman, 1993:4-5; Dibb, 1986:vi). It was not until the election in 1983 of the Hawke Labor Government that further progress was made towards a well defined and self-reliant defence policy (Cheeseman, 1993:11-12).

The newly elected Hawke Labor Government set about reviewing Australia’s defence policies while also reviewing the importance of the ANZUS Treaty and the Untied States bases in Australia. It resurrected the South Pacific Nuclear Free Zone proposals; although in a form which did not threaten United States interests, and argued for a comprehensive nuclear test ban (Cheeseman, 1993:12).

In June 1984 the Government released a policy statement on Australia’s defence industry policy. The review recognised that Australia could not support an industrial base capable of fulfilling all of the armed forces needs. Instead, self-
reliance for the defence industry involved fostering those industrial capabilities that were vital to the defence effort of Australia (Cheeseman, 1993:40-41). It set a limited agenda for the defence industry, stating that the priorities for local industry were the repair, overhaul and adaptation of defence equipment that was vital for the Australian Defence Forces. Also important was the supply of spares, munitions and other stores for which overseas supply was not guaranteed, along with various supply and support capabilities and technologies for the Defence Force’s long-term needs. However, the policy statement warned that high premiums could be incurred with local production (Woodman, 1994:33-34). For achievable self-reliance the statement emphasised the balance needed between “the development of appropriate levels of selective and timely stockholding, assured overseas supplies and Australian industrial capability” (Defence Report, 1983:57-8, quoted in Woodman, 1994:33-34).

While the 1984 policy statement was a major step forward, it still had two key problems. Firstly, its guidance towards defence industry lacked the necessary detail and, secondly, the statement’s balance between short and long term objectives seemed to reflect the ‘core force’ concept which was about to be scrapped. The danger was that industrial potential could be justified against a broad range of ADF capabilities (Woodman, 1992a:6).

In 1985 the Minister for Defence, Kim Beazley, announced that the rational for Australia’s defence planning would be reviewed by the consultant Paul Dibb. The Dibb Review was released in March 1986 and provided the first coherent strategy
for a self-reliant Australian defence policy. Dibb managed to break the planning deadlock between the civilian and military defence planners by developing the concept of escalated low-level contingencies (Woodman, 1992a:6). Dibb writes that:

"With regard to the argument about level of threat, the Review has sought to narrow the options and to limit the scope for subjective judgement about our force structure needs. It focuses on those fundamental geographic and strategic factors, including current and prospective regional military capabilities, which provide a sound basis for analysis. This leads the Review to a position that accepts the priority need to prepare for credible contingencies below the level of major assault - but not at as low a level as the Department argues for, nor at the higher levels supported by the ADF.” (Dibb, 1986:vi-vii)

Dibb argued that Australia needed the military capabilities to prevent an enemy from successfully attacking Australia’s air and sea approaches, from using military force to extract political concessions from Australia, or from gaining a foothold on the Australian continent. This required that Australia develop its own solutions to its own unique strategic circumstances (Dibb, 1986:3). Dibb supported a self-reliant defence posture by stating that:

"The security interests at stake in the range of more credible threats facing us are primarily Australian interests. We must therefore have the independent military capability to defend these interests.” (Dibb, 1986:3)

For the defence of Australia Dibb proposed a strategy of denial. This involved a layered defence strategy covering our area of direct military interest. The main
concern was to make it difficult for an enemy to cross the sea and air gap to our north (Dibb, 1986:5). Dibb emphasised:

"the need for good intelligence and surveillance capabilities and air and naval forces capable of denying the sea and air gap to an adversary, thus preventing any successful landing of significant forces on Australian soil. Closer to our shores, we require a range of defensive capabilities, including air defence assets, surface ships and mine countermeasures. To the extent that lesser forces might land we will need highly mobile land forces capable of dispersed operations and having the ability to protect our military installations, infrastructure and civilian population in the north of the continent.

A strategy of denial would be essentially a defensive policy." (Dibb, 1986:5)

This defence strategy of denial required the use of advanced weapon systems. Dibb felt it essential that Australia maintain a military advantage in critical technologies and industrial, scientific, and technical competence (Dibb, 1986:45, 175).

While Dibb felt that the chances of Australia being cut off from overseas military supplies was unlikely in credible low-level contingencies he did feel that a measure of protection against restriction of supply was appropriate (Dibb, 1986:13, 109). He felt that Australia’s industrial capacity to support its military forces was important to their effectiveness in combat. The ability to maintain and adapt defence equipment was just as important to Australia’s regional military advantage as the level of technological superiority of its military hardware (Dibb, 1986: 109).

A fundamental capacity necessary in Australian industry was the ability to:
“maintain, repair, modify and adapt defence equipment to the Australian environment .... It is in this more limited sense that local industry capability may largely determine the sustained operational effectiveness of our forces in combat.” (Dibb, 1986:109)

Dibb argued that Australia must limit its dependence on foreign sources of maintenance and repair support as well as ammunition and high-usage spares (Dibb, 1986:112, 113). The Australian defence industry should focus on areas where there were unique Australian requirements; especially in the area of sensors and electronics where Australian industry was broadly competitive, or where industry involvement provides skills for the through-life support of equipment at an acceptable cost (Dibb, 1986:114). However, he placed tight restrictions on what self-reliance meant, writing:

“In Australia’s current and future strategic circumstances self-reliance refers primarily to our need for combat forces capable of independent operations in our neighbourhood, and the capacity for their direct support .... Its applicability to industry is limited to the extent to which indigenous industrial capacity is necessary for the effectiveness and sustainability in combat of our forces.

‘Self-reliance’ is not a prescription for Australia to have the full range of defence industrial capacities ....” (Dibb, 1986:107)

Dibb called for a disciplined approach to defence industry. The equipment used by the ADF often exploited advanced technology and was limited in numbers. Therefore local production of such equipment would be costly and time consuming; stockpiling and guarantees of overseas supply were viewed as better alternatives (Dibb, 1986:108). He warned against focusing too much attention on
the construction of weapons and platforms in Australia. (Dibb, 1986:13). Also, defence industry should be developed to support the defence forces and not as a means to prop-up ailing industries; mentioning shipbuilding and heavy engineering (Dibb, 1986:107, 114).

With regard to the possibility of defence exports playing a significant role in defence industry development or sustainability, Dibb wrote in a footnote:

"In assessing what can be supplied competitively from within Australia, it must be recognised that international production and trade in military material is characterised by very high non-tariff barriers, government-subsidised domestic sales and exports, dumping, international collaborative ventures, and counter-trade. Most arms sales have sensitive political and diplomatic overtones. Thus, the price at which we might buy a defence item will depend on a range of circumstances at the time and will have little if any relation to the price we would get in export markets should we establish a local capability of our own." (Dibb, 1986, footnote: 108)

In 1985 Robert Cooksey was appointed by the Government to conduct the review titled 'Review of Australia’s Defence Exports and Defence Industry', which was released in 1986. In terms of the strategic basis for the Australian defence industry the report generally agreed with the 1984 defence industry policy statement and the Dibb review's policies of defence self-reliance and the strategy of denial. Where the Cooksey review differed from these documents was in its emphasis of the broader economic, social and political benefits of the defence industry and his wholehearted support for defence exports as a means of supporting the defence industry. Cooksey's priorities are evident when he writes:
“While ‘broader social and economic goals’ are not part of functional DoD responsibility, nonetheless questions of employment and increased productivity through exports must inform departmental perceptions of defence industry,” (Cooksey, 1986:27)

and when he states that:

(G)overnment should view the defence industrial base as an effective catalyst in the development of certain high-technology sectors of industry.” (Cooksey, 1986:348)

Cooksey saw the current account difficulties being experienced at that time as an important reason to increase defence exports and saw defence industry and defence exports playing “a part in the overall revitalisation of the manufacture and services sectors” (Cooksey, 1986:1). Defence exports were seen as helping the economic recovery, providing jobs, and increasing investment (Cooksey, 1986:2).

Cooksey also wrote of the political advantages to Australia of defence exports (although using some rather dubious logic):

“There can be political advantage in Australia having input into the defence capabilities of friendly countries, thereby adding substance to a bilateral relationship. The sale of arms and munitions has often been regarded by purchasing countries as an important testimony to mature political friendship. It follows, then, that to not sell equipment or spare parts to a particular country could be damaging to Australia’s relations with that country.” (Cooksey, 1986:26)

Cooksey saw defence exports as being critical to the success of the defence industry. It was the only way to fill the gaps between Department of Defence
contracts and so ensure continuity and efficiency of production (Cooksey, 1986:337). He wrote that if Australia was successful in the defence export market:

“this will lead to lower unit costs for the ADF, with a consequent freeing up of the defence outlay, economics of scale and a more balanced workload for defence industry, improved employment prospects for Australian workers and significant export revenue that will help to turn around the current account.” (Cooksey, 1986:350)

Cooksey seems almost euphoric at the prospects for Australian defence exports. He wrote of creating “centres of international excellence that can dominate segments of the world market” (Cooksey, 1986:349). He felt that by revising the export approval guidelines and their administration, along with the establishment of an Australian Defence Exports Group, Australian defence exports could increase from his then-1986 estimate of $250 million to $500 million within three to five years (Cooksey, 1986:348). In reality the $250 million figure was a gross exaggeration; the United States Arms Control and Disarmament Agency’s estimate was around $46 million per year (Quoted in Cheeseman, 1993:46-47). His target of $500 million was grossly optimistic and has never been met. Defence exports seem to have increased little over their 1986 level.

In 1987 the Hawke Labor Government released its defence White Paper, entitled ‘The Defence of Australia 1987’. In terms of strategy the White Paper drew substantially on the Dibb Review; although there were some important differences. The defence industry section of the White Paper drew on Dibb’s Review for its strategic rational while drawing on the Cooksey Review in emphasising the broader
economic, social and political benefits of defence industry and defence exports. The White Paper set the course for the Australian Government’s defence policy of self-reliance in defence and security. However, the White Paper states at the outset that this policy of defence self-reliance was to be set firmly within the framework of Australia’s alliance with the United States and Australian regional associations (Department of Defence, 1987:vii). The policy of defence self-reliance is articulated thus:

“This Government’s policy of defence self-reliance gives priority to the ability to defend ourselves with our own resources. Australia must have the military capability to prevent an enemy from attacking us successfully in our sea and air approaches, gaining a foothold on our territory, or extracting political concessions from us through the use of military force. These are uniquely Australian interests and Australia must have the independent military capability to defend them.

This policy of defence self-reliance is pursued within a framework of alliances and agreements.” (Department of Defence, 1987:1)

This emphasis on the alliance with the United States is an important departure from the Dibb Review’s conception of defence self-reliance.

The White Paper accepted Dibb’s strategy of defence in depth. There were however subtle and not-so-subtle changes. While the importance of the air and sea gap to Australia’s north was recognised it was stated that Australia had to be able to “defeat hostile forces in our area of direct military interest” (Department of Defence, 1987: vii). The area of direct military interest included continental
Australia, its territories, and proximate ocean areas, New Zealand, parts of the South-West Pacific, Papua New Guinea and Indonesia (Department of Defence, 1987:2). The White Paper also asserted that Australia needed to be able to conduct offensive operations against an adversary’s bases and infrastructure (Department of Defence, 1987:31). In a return to deterrence theory the enemy had to ‘know’ that they would be faced with both defensive and offensive capabilities (Department of Defence, 1987:vii). It stated that:

“Australia’s long range forces are ... capable of striking land targets such as enemy base and force concentrations. The F-111s are a central element of our landstrike force.” (Department of Defence, 1987:viii)

The White Paper saw advanced technology playing a crucial role in Australia’s defence posture and the effectiveness of the ADF. For this reason expertise in certain areas of technology and science were necessary (Department of Defence, 1987:31, 69).

The industry section of the 1987 White Paper seemed more oriented to the economic rather than strategic aspects of defence industry. The ‘discipline’ called for by Paul Dibb was lacking. Defence industry, science and technology were seen as fundamental to Australia’s self-reliant defence posture (Department of Defence, 1987:74). The White Paper agreed with Dibb in stating that:

“The capacity to maintain, repair, modify and adapt defence equipment to the Australian environment, independent of overseas sources, is of fundamental importance for our combat effectiveness in all levels of conflict.” (Department of Defence, 1987:76)
But then the White Paper drastically raises the level of industry support necessary by going on to state that:

“This requires Australian involvement in design, development and production to acquire the necessary detailed knowledge, skills and facilities.” (Department of Defence, 1987:76)

With regard to the Frigate project, the White Paper emphasises the importance of the project to the local shipbuilding industry. The White Paper also recalls the concept of large scale mobilisation by arguing that the build-up in the shipbuilding industry would allow “a high degree of self-reliance in construction of additional vessels to expand the Fleet” if this were necessary (Department of Defence, 1987:87; Woodman, 1992a:6).

While warning that ADF defence orders were usually too small, infrequent and limited in duration to ensure the long term viability of particular firms or industry sectors the White Paper states that:

“Participation in defence projects can ... bring to industry important technology, introduce new equipment and skills, and develop expertise in aspects of project management and quality control. This can lead to ongoing work in repair, maintenance and adaptation, as well as to participate in other defence projects, and to work on related civil production or for export.” (Department of Defence, 1987:75)
The White Paper also talks of the managerial and other expertise that defence projects develop in Australian industry and how this can facilitate growth in similar export and civil markets (Department of Defence, 1987:79). Indeed, the White Paper sees defence exports playing an important role for defence industry:

"The export of defence and defence-related products can foster skills and capacity in Australian industry and reduce the costs of indigenous supply and support for the ADF. Successful competition in overseas defence markets benefits our overall trade interests as well as the firms involved." (Department of Defence, 1987:81)

The White Paper then goes on to outline the Government’s measures to encourage and promote defence exports.

The 1987 White Paper attempted to pacify conservative criticisms, mainly from the Defence lobby (made up predominantly of ex-service people) of the Dibb Review as being too defensive and isolationist (Woodman, 1993:5). The White Paper was also a reflection of the Hawke Labor Government’s conservative leaning and its desire not to harm its relationship with the United States (Young: 1988:11). The industry section of the White Paper reflected the broader economic and political concerns at that time, namely a current account crisis and high unemployment. By 1987 the 1984 principle that ‘the defence vote would only be used to support local industries if it can be shown that locally sourced supply is essential for strategic reasons’ seemed to have been forgotten (Woodman, 1992a:7). This lack of ‘discipline’ continued with Kim Beazley in 1991 writing of defence industries:
"These industries are not just essential elements of the industrial base needed to achieve self-reliance. They are equally essential for the type of industry structure our Government has sought to encourage to serve Australia into the next century. The aim has been to develop a structure that is global in outlook, export oriented, and internationally competitive.” (Beazley, 1991:101)

The White Paper's defence strategy of denial, or defence in depth, with its 'comprehensive array of defensive and offensive weaponry', required the use of advanced technology. As Kim Beazley wrote:

“In the context of our own self-reliant defence posture new technology has a fundamental role to play. We require the innovative use of technology to sustain a credible defence policy.

That we can confidently assert the fundamental concept of self-reliance and have confidence in our ability to defend Australia is due in no small part to the development and use of technology in key areas.” (Beazley, 1991:97)

One of the consequences of this high-technology defence posture is that it has increased Australia's dependence on the United States. Dibb in his 1986 review had supported the retention of the alliance with the United States because of its supposed 'practical benefits'. He had however warned that the alliance had potential dangers such as the acquisition of inappropriate United States or NATO standard equipment which would be hard to support (Cheeseman, 1993:179). The warning from Paul Dibb was ignored and from 1986 the Government's position became increasingly pro-alliance (Cheeseman, 1993:179). The 1987 White Paper was very pro-alliance, and in 1988 Kim Beazley stated that through ANZUS the United States:
“gives Australia the technological edge we need to enable less than 1% of the Earth’s population to guard 12% of its surface. Without that help, Australia cannot sustain a self-reliant defence posture. In this fundamental way, our alliance is literally essential to our self-reliance.” (Quoted in Cheeseman, 1993:172)

One other effect of Australia’s high-technology defence posture is that since only a limited number of such expensive weapon systems can be afforded it has exacerbated the defence industry problems of small production runs and the cost of production; therefore increasing the need to export defence products. The Government recognised this need to export and set out to overhaul the defence industry so that it could support this high-technology defence posture (Beazley, 1991:101). Beazley wrote in 1991 that:

“Underlying this drive to overhaul our defence industrial base is the assumption that we will develop a capacity to export. The promotion of defence exports to a range of suitable countries is merely a modest aspect of our overall exports drive but based on the same imperatives. Australian industry must be export competitive if it is to survive and prosper.” (Beazley, 1991:103)

Defence exports had become crucial to the longer-term viability of Australia’s defence industry and therefore to the Government’s policy of defence self-reliance and its defence force structure. If defence exports failed, the only other option was increased financial subsidies to the defence industry, an unlikely prospect in the current financial and ideological circumstances.
Australia's policy of defence self-reliance requires a vigorous defence industry to support it. While the early idea of the defence industry being able to maintain, repair and adapt equipment was relatively easy for Australian industry to sustain, the more recent emphasis on producing major weapon platforms and systems is far less so. The problems of small production runs and costs of production are exacerbated by the high-technology force structure Australia has and is developing. These factors mean that for the defence industry to avoid requiring massive Government subsidies, to prosper, or even survive at present levels, it must export.
5.2 AUSTRALIA’S CONCEPTION OF ITSELF AS A MIDDLE POWER AND THE “PUSH” INTO ASIA

During the 1980s and 1990s two related themes developed in Australia’s foreign policy; namely Australia as a middle power and Australia as part of Asia. While both themes had been around for decades it was the Labor Governments of the 1980s and 1990s that gave them prominence in Australia’s foreign policy. Over that period the theme of Australia as a middle power became increasingly consumed within the theme of Australia as a part of Asia, while the economic rationale behind this policy became increasingly evident. Both themes were constructed very much within the traditions of Australian neo-Realism and Rationalism.

The importance of these two themes in Australia’s foreign policy can be seen in the following statement from a book co-authored by Australia’s former Foreign Affairs Minister Gareth Evans:

“... The challenge for Australian foreign policy will be, as always, to pursue our own political and economic interests with maximum effectiveness .... But there are two very considerable potential assets which Australia can bring to that task. The first is our status as a middle power, with the capacity that implies for effective action and influence. The other is our location alongside South-East Asia in the Asia Pacific region, the most economically dynamic in the world. How substantial and effective a role Australia plays in the world and the region in the years ahead will depend essentially on how well we take advantage of these two attributes.” (Evans and Grant, 1991:321)
During the 1980s and 1990s economic concerns increasingly dominated Government thinking. Because Australia's economy is very dependent on trade, a crucial part of the Government's economic adjustment strategy of the mid 1980s was a focus on trade policy and export promotion. Australian foreign policy was to be focused on economic issues. In the Government's view the separation of foreign policy from foreign economic policy could no longer be maintained due to the increasing interconnectedness of both the domestic and international economies (Cooper et al, 1993:47-48). These views, supported by the rise in the Canberra policy making community of people embracing the 'economic rationalist' approach, led to the merging of the Department of Foreign Affairs with the Department of Trade. In terms of actual policy the 'economic rationalists' promoted a sharp shift from a bilateral approach on trade and economic issues to a multilateral approach (Cooper et al, 1993:45). As Australia's economic future was seen to lie in Asia it was Asia that increasingly dominated Australia's foreign policy.

The Hawke Government worked hard trying to secure Australia's presence in the Asia-Pacific community and to dispel any residual hostility Asian countries had towards Australia. An important element of this 'push into Asia' was defence policy:

"It was an article of faith in Australian policy circles that successful diplomacy in the security domain would be an important complement to the growth of stronger economic co-operation between the states of the region. It was, thus, widely believed in Canberra that it would be vital for Australia, given the recognition that it is of Asia, not simply in Asia, that it be party to
important co-operative developments in the domains of both security and economics.” (Cooper et al, 1993:150)

Australia has a long history of defence involvement in South East Asia, including a number of post-World War II military campaigns, the Five Power Defence Arrangements, and various military aid programs involving either the supply of equipment (often surplus) or training. By the early 1980s this military commitment to South East Asia seemed to be operating by its own momentum with little strategic guidance.

The 1986 Dibb report presented a clearer picture of Australia’s security interests in Asia. Paul Dibb argued that a fundamental security interest of Australia was a strong and stable region free from external pressures. Australia was to contribute to this by “promoting a sense of shared strategic interests” through helping to develop the region’s military capabilities, joint training and exercises. The emphasis for this was Australia’s ‘area of direct military interest’, which included Indonesia, New Zealand, Papua New Guinea and the nearby South West Pacific island states. (Dibb, 1986:37). Australia was also to develop its links with Asia through the “transfer of skills and doctrine necessary for operating modern equipment” (Dibb, 1986:48). Defence policy was seen as playing an important role in support of Australia’s “more substantial foreign policy and economic concerns.” (Dibb, 1986:58)

Dibb did, however, place a number of qualifications on Australia’s defence links with Asia. Dibb believed that Indonesia was Australia’s most important neighbour
in defence terms, while the other Southeast Asian states were not close enough to Australia to be of significant concern militarily. This broader area was called Australia's "sphere of primary strategic interest". (Dibb, 1986:4) Dibb felt that in this sphere:

"Developments here can affect our national security, but any military threat to Australia would be indirect. Our defence activities and projection of military power in this wider region should not determine our force structure, as they do in our area of direct military interest." (Dibb, 1986:4)

Dibb was also ambivalent about the value of the Five Power Defence Arrangements. He saw these as having some political value, and providing a basis for co-operation, but having little military value. He wrote that "they reflect the concerns of a previous era" (Dibb, 1986:48).

On the other hand the Cooksey Report, also released in 1986, entitled 'Review of Australia's Defence Exports and Defence Industry' was very pro-defence exports and claimed that defence exports would serve Australia's strategic interests. Cooksey saw defence exports to region countries, and their resulting dependence on Australian support components and technology, as conferring strategic advantage on Australia (Cooksey, 1986:23). He saw defence exports as a way of increasing Australia's status in Asia:

"Australia could be used as a base for not only advancing our manufacturing skills per se, but also for us being regarded as a defence centre of excellence in the region." (Cooksey, 1986:265)
Cooksey wrote of using the Defence Co-operation Program to 'lock-in' recipient countries to Australian military equipment and services (Cooksey, 1986:265). The DCP was also to be used to promote the “acceptance of Australia as a regional centre for and source of defence technological and industrial competence” (Cooksey, 1986:11).

In 1987 Kim Beazley, the Minister for Defence, released the Government’s defence White Paper ‘The Defence of Australia 1987’. The defence White Paper proposed a more comprehensive military involvement in Asia than Dibb had proposed and took little notice of the reservations he mentioned, while it fully supported Cooksey’s proposals. The White Paper qualified the concept of defence self-reliance by stating that this “must be set firmly within the framework of our alliances and regional associations” (Department of Defence, 1987: vii). The Australian Government aimed to “strengthen the commonality of strategic interests” between itself and South-East Asia. The White Paper stated that Australia shares:

“a common concern with these countries to strengthen regional stability and to limit the potential for external powers to introduce tension or conflict.” (Department of Defence, 1987:6)

The primary way Australia was to ‘strengthen regional stability’ and the ‘commonality of strategic interests’ was through various military co-operation programs. The White Paper stated that:
"In the years ahead, our capacity for security co-operation in the South-West Pacific and South-East Asia will expand because the numbers of major naval vessels in our fleet will increase, our Air Force will have an in-flight refuelling capacity, our Army will be more mobile and deployable and the Defence Force generally will have a better surveillance and patrol capacity." (Department of Defence, 1987:6)

The White Paper emphasised the measures already taken in this regard; including reciprocal visits by military units and defence representatives, combined exercises, training, consultative arrangements, and joint equipment development and support projects (Department of Defence, 1987:15).

The White Paper argued that Australia’s air, sea and land forces will be ideal for supporting Australia’s regional role:

"Long range ships, submarines and aircraft, and highly mobile ground forces, will enable us to play our proper role in the region, and if necessary, beyond it." (Department of Defence, 1987:ix)

Such forces were also to contribute to the region’s security and the “protection of Western interests” (Department of Defence, 1987:iii). The importance to Australia of the Five Power Defence Arrangements was emphasised; as was the ability of Australia’s new force structure to support them with increased regional deployments (Department of Defence, 1987:6-7).

The White Paper discussed the good prospects for Australian defence influence and involvement in the region. It emphasised that Australia had considerable power projection capabilities in South-East Asia by regional standards. These capabilities
were seen as benefitting Australia’s regional political standing (Department of Defence, 1987:9). Australia’s standing would also be enhanced by showing its “competence and capability in the operation of modern military equipment” (Department of Defence, 1987:10). Australia’s defence links with South-East Asia were seen as important in promoting “commercial opportunities for Australian defence industry”, and the White Paper mentioned Thailand, Malaysia and Brunei as countries which were either involved with Australian defence industry or buying its products (Department of Defence, 1987:16).

Over the following years Kim Beazley added to the White Paper with his own conceptions of the regional security environment and Australia’s role in Asia. He saw Australia’s defence links with South-East Asia as crucial to Australia’s security and self-reliant defence posture. The development of Australia’s defence forces would allow increased regional deployments and greater co-operation with regional countries. Australia’s new equipment with its long range, mobility and new bases near our neighbours in the north and west of Australia would increase the potential for co-operation (Beazley, 1988a:188). Kim Beazley said that:

“We regard it as an essential element of Australia’s defence posture that the capabilities we develop to provide for our own defence should also provide us with the capability to play our part in maintaining regional security.” (Beazley, 1988a:188)

He announced that Australia intended to deploy F/A-18s to Singapore and Malaysia for at least sixteen weeks of the year. F-111 strike aircraft would also be
deployed to those countries and several hundred ADF personnel, including a rifle company from Australia’s Army, would be deployed at Butterworth in Malaysia. These deployments were said to demonstrate the Australian Government’s “willingness to commit a significant proportion of the RAAF to support regional security”. (Beazley, 1988a:191) The Australian Army and Thai Army were also to establish a series of joint exercises at company level (Beazley, 1988a:191). The Australian Navy was “to maintain a continuous rolling deployment of a major surface combatant in South-East Asian waters”. (Beazley, 1988b:234). Such exercises, the Five Power Defence Arrangements, co-operative development projects, and more general military co-operation projects were seen by Beazley as “fundamental to our future standing in the region and our ability to influence events there.” (Beazley, 1988c:239)

Kim Beazley argued that Australia faced an increasingly complex and unstable regional security environment. In December 1988 he said that:

“Australia’s strategic environment may have more in common with the political map of nineteenth century Europe, with its shifting alliances and multi-polarity than with the situation Australia has faced as an independent country in the twentieth century .... Our region will be a complexity of shifting alignments and arrangements characterised by an array of large and medium sized powers.” (Beazley, 1988c:237)

Beazley also argued that on the periphery of South-East Asia there were developing major powers “with the potential to intervene in regional affairs”. He named China, India, and Japan as such countries (Beazley, 1988c:237-238).
Not to be outdone by Kim Beazley, Senator Gareth Evans, Australia’s Minister for Foreign Affairs, released a Ministerial Statement in 1989 entitled ‘Australia’s Regional Security’. The Ministerial Statement identified four main priorities for Australian foreign policy:

- Protecting Australia’s security through the maintenance of a positive security and strategic environment in our region;
- Pursuing trade, investment, and economic co-operation
- Contributing to global security; and
- Contributing to the cause of good international citizenship. (Evans, 1989: Para 1).

The statement saw military power being, and always remaining, of major importance in international relations. It argued that there was no chance states would forswear “the use of military power and influence in pursuit of their objectives” (Evans, 1989: Para 49). The Statement warned that the regional and international security outlook was undergoing a major process of change which will not necessarily be peaceful (Evans, 1989: Para 183).

In this context, Australia’s military capability was seen as being not only important to Australia’s defence but also as having an important regional role. Evans stated that this military capability:
"provides the foundation for our capacity to contribute to a positive security environment through the exercise of what might be described as military diplomacy, or politico-military capability." (Evans, 1989: Para 71)

Australia's military capability was seen as very important to its regional status:

"In the crudest sense, the mere possession of significant military power enhances any country's national status, both in its regional context and also more widely, and Australia is no exception. The nexus between force capabilities and status is nothing new. Acknowledgment of the connection by others is more likely to be implicit than explicit. We should be conscious of it, and not embarrassed by it. The contribution that our military capabilities make to our general national status strengthens our ability to exercise leverage across many fields. It also gives us access to a range of military and security deliberations and developments we would not otherwise have." (Evans, 1989: Para 72)

Envisaged opportunities for Australia to exercise its 'politico-military capability' were defence co-operation programs, military assistance and regional security arrangements. (Evans, 1989: Para 73). The Ministerial Statement argued that Australia's military capability contributed to regional stability. Neighbouring countries of South East Asia were thought to appreciate Australia "providing a secure south", and those of the South Pacific a "secure west" (Evans, 1989: Para 69).

The Statement argues for a policy of 'Comprehensive Engagement' with South East Asia. This policy involves employing various policy instruments in various fields so that Australia becomes a significant partner to the region and a natural and accepted participant in regional affairs. Economic, military and political links were important in "binding the nations of each region together". This was, it was argued,
increasing regional cohesion and the commonality of interests (Evans, 1989: Para 174). Two of the essential elements of ‘comprehensive engagement’ were:

- “building a more diverse and substantive array of linkages with the countries of South East Asia, so that they have an important national interest in the maintenance of a positive relationship with Australia”, and

- “participating actively in the gradual development of a regional security community based on a sense of shared security interests.” (Evans, 1989: Para 176)

The Five Power Defence Arrangements were seen as important to Australia and it was hoped that complementary arrangements could be developed with Indonesia and Thailand (Evans, 1989: Para 79). The ultimate aim was to develop a new wider, more formal ‘regional security community arrangement’ (Evans, 1989: Para 80, 108). It was argued that:

“Our participation in the various forms of defence co-operation ... would ensure that, if a more structured regional defence community ever eventuated, Australia would be a natural participant.” (Evans, 1989: Para 81)

Such participation was seen as crucial to Australia:

“Ultimately, if the idea of a collective regional security arrangement did begin to develop, Australia would need to ensure that we were part of it. To be excluded would relegate us to a secondary role in the region.” (Evans, 1989: Para 84)
In 1991 Gareth Evans released a book which he had co-authored with Bruce Grant entitled ‘Australia’s Foreign Relations: In the World of the 1990s’. Again defence policy and military security were seen as the prime elements in Australia’s foreign policy approach. The Government’s defence White Paper entitled ‘The Defence of Australia 1987’ was said to have been a “conceptual watershed” for Australian foreign policy. The belief that a ‘self-reliant’ defence posture was possible, and the confidence it bred, was said to have “liberated Australian foreign policy” (Evans and Grant, 1991:29-30). The book proclaimed that “Australia is a middle power”, able to pursue ‘niche diplomacy’ and coalition building. (Evans and Grant, 1991:322-323).

Australia’s new confidence in its ability to defend itself was also said to be due to increased population through immigration, more varied work skills, and more efficient defence industries (Evans and Grant, 1991:105). This last reference partly explains the only reference in the book to defence exports, a non-descript assurance that Australia would ensure:

“that defence exports in which we are involved are not only sensitive to Australia’s own foreign policy concerns, but also take place in accordance with best international practice.” (Evans and Grant, 1991:89)

The book emphasised the importance of the alliance with the United States. Our defence policy was “self-reliance within an alliance framework” (Evans and Grant, 1991:106). The United States was also seen as being “a strategic influence for stability” within the region (Evans and Grant, 1991:99).
Although Evans and Grant proposed for Australia a multi-dimensional policy approach to regional security the first dimension of this approach was the acquisition and maintenance of a military capability. While the arms build-up in Asia was seen as a threat to Australia, Australia’s own substantial military capability was said to provide a ‘secure south’ for the countries of South-East Asia and a ‘secure west’ for those of the South Pacific (Evans and Grant, 1991:107-108). The second approach was for Australia to use its ‘politico-military capability’ to develop:

“a regional security community based on a sense of shared security interests .... We should not be embarrassed about using the military capability we possess, with prudence and sensitivity, to advance both Australia’s and the common security of the region.” (Evans and Grant, 1991:108)

The third approach was to develop economic links between Australia and Asia. The chief means of doing this was by opening up the Australian economy through reduced trade barriers and restructuring Australia’s domestic economy, in the hope of improving Australia’s credentials as a desirable regional participant (Evans and Grant, 1991:328). The two other mentioned areas: assistance with development and ‘non-military threats’, and the exchange of people and ideas; were not analysed in any detail (Evans and Grant, 1991:107).

The book’s conception of Asia was very neo-Realist; with the strongest regional force and security determinant being economic factors. This is illustrated by the following two passages on South-East Asia:
"The desire for growth and prosperity is the most compelling and significant force in almost every individual country, and economic aspirations constitute the primary dynamic of both internal and external policies." (Evans and Grant, 1991:13)

And

"The security picture in Australia’s most important neighbourhood, South-East Asia, is relatively favourable, with most of the countries in the region, for all their various internal problems, more likely than not to continue down the path of nation building based upon participation in the global economic system and a generally pro-western foreign policy outlook.” (Evans and Grant, 1991:102-103)

What such statements fail to recognise is that in the past ‘nation-building’, as in East Timor and West Papua, has meant repression, and there is no certainty that this will not be the case in the future. As well ‘participation in the global economic system’ can mean environmental destruction, poor wages and conditions, and local disempowerment.

A criticism of the Evans and Grant approach is that while the Government’s rhetoric on a multidimensional policy has been reasonable there have not been the appropriate actions to back this up. Over recent years the resources of the Department of Foreign Affairs and Trade have been cut back, while development assistance and cultural relations programmes have also been cut. Economic links are, as yet, not substantial enough to give Australia much regional leverage. The military is the one area where Australia has substantially increased its resources for regional programs. It is an area Australia hopes will provide it with increased
respect, authority, and leverage within the region. It is ironic that for all the emphasis placed on a multidimensional approach it is the military approach which has gained most resources (MacIntyre, 1991:115-117).

Australia’s approach to regional security has created a tension between protecting Australia ‘from’ South-East Asia and, as the ‘comprehensive engagement’ doctrine requires, being ‘part of’ South-East Asia and protecting the region from peripheral powers (MacIntyre, 1991:111). The Gulf War showed that the Labor Government, and any alternative conservative one, was prepared to deploy Australia’s armed forces not only to the region but beyond it. The Gulf War seemed to signal that Australia had abandoned the tight strategic definition of ‘self-reliance’ for a looser concept of regional engagement and perhaps “a return to the prescriptions of the past.” (Cheeseman, 1993:24)

Australia’s ‘push’ into Asia became a powerful rationale behind Australia’s defence export push during the late 1980s and 1990s, and fitted in nicely with Australia’s conception of itself as a middle power. The fact that Australia’s ‘new’ policies towards Asia were based on traditional Realist power politics and neo-Realist economic determinisms helps explain their uncritical acceptance.

In conclusion, it was Australia’s policy of defence self-reliance that led to the emphasis on building up defence industries. The defence-in-depth strategy and its associated high-technology force structure meant local requirements for equipment were too small to support local production, thus necessitating exports. It was the push into Asia that gave a further boost to this strategy just when it seemed to be
wanning. The most important rationale behind this push into Asia was the development of stronger economic links with the region and the promotion of Australian exports. Indeed, by the 1990s the push into Asia, and Australia's increasing defence, economic, and political links with South-East Asia, had become the driving force behind Australia's defence export strategy. This was to such a degree that the initial rationale of defence self-reliance seemed to have been largely forgotten. While proposed projects such as the joint Australian-Malaysian Offshore Patrol Combatant are held out as the future direction for Australian defence industry, such projects are more likely to be a mirage rather than a savour. The fundamental problems of limited demand have had the problems of military involvement in foreign countries added to them.
CHAPTER 6

AUSTRALIA'S DEFENCE EXPORT DRIVE CHALLENGED

During the late 1980s and early 1990s Australia's defence export policy was challenged by academics, bureaucrats, and by various forms of public protest. These challenges ranged from those set firmly within the Realist-Rationalist framework of the policy-making community to those which challenged many of the values of that Realist-Rationalist policy framework.

One of the earliest, and most prolific, critics of Australia’s defence export policy was Graeme Cheeseman who, throughout the late 1980s and 1990s, produced numerous papers and books which analysed and critiqued Australia’s defence, defence industry, and defence export policies. The reasons why no-one else has sustained Cheeseman’s almost continuous critiques of Australia’s defence export policy requires explanation. The main reasons seem to be numbers of researchers and money. Defence issues generally attract little in the way of intellectual enquiry or public concern. For the small number of researchers interested in defence issues the major source of research funds is the Strategic and Defence Studies Centre (SDSC) at the Australian National University. This semi-Government ‘think-tank’ receives a large proportion of its funds from the Department of Defence and various defence industries, with all the implication that has for the researchers’ intellectual independence (see chapter 8). The few researchers who do not work at SDSC, and the even fewer who are critics of Australia’s defence policy, often live a
rather tenuous and uncertain existence at universities or working for peace groups. They are simply too few to sustain a concerted critique over a number of years of any one area of Australia’s defence policy.

In 1988 Graeme Cheeseman wrote the paper: ‘The Australian Arms Trade: Patterns, Policies and Prospects’. In this paper he argued that Australia’s traditional restrictive defence export policy had changed in recent years with various Government ministers arguing strongly in favour of expanding Australia’s defence industries and increasing defence exports (Cheeseman, 1988a:2). Cheeseman found that while Robert Cooksey believed Australian defence exports were worth around $200 to $250 million per year the real figure was actually less than $50 million per year (Cheeseman, 1988a:7-11). He discussed the destinations of Australian defence exports as well as the type of defence products exported (Cheeseman, 1988a:11-19). He noted that:

“The Government plays a major and increasingly important role in the export of defence material from Australia, both directly through its Defence Co-operation Program and the sale of equipment produced by the Defence industries, and indirectly through its support of the private sector.” (Cheeseman, 1988a:19)

He described in detail the Government’s armaments factories and establishments as well as the support that the Government gave to the private sector to produce and export defence equipment (Cheeseman, 1988a:20-24).
Cheeseman analysed the policies, actors and processes involved in defence exports and described in detail the legislative and policy framework, the Government’s arms regulations, and the decision-making processes (Cheeseman, 1988a:24-33).

He raised a number of concerns about the defence export decision-making process. These concerns were:

“a. The closed nature of the process. Like most other policy areas in the Department of Defence, the formal process of considering applications to export defence material from Australia is closed to external influence. There is no oversight of defence exports by Parliament, nor are other Government departments or agencies other than the Department of Foreign Affairs and Trade involved to any large extent. This is in spite of the fact that defence exports can involve a range of political, economic and social considerations which extend well beyond the purview of both Defence and Foreign Affairs.

b. The dominance of Defence. Although the formal process involves representatives from both the Department of Defence and the Department of Foreign Affairs and Trade, it is clear that Defence plays the major role in approving defence exports. This is reflected in the structure of the decision-making process itself and in the revised guidelines that were issued in March 1988 by Cabinet. It means that future arms exports will be governed more by defence considerations than by foreign policy or other concerns.

c. A conflict of interest over the control and the facilitation of defence exports. The Minister for Defence and his Department are not only the key actors in controlling defence exports, they are also formally responsible for facilitating the export of Australian defence products. In the current climate, and in view of the Government’s desire to increase Australia’s defence exports, this basic conflict of interests is likely to lead to the erosion or circumvention of existing controls.” (Cheeseman, 1988a:33-34)

Overall these features undermine Australia’s previously strict defence export control regime. The answer he proposed to these concerns was the establishment of an independent agency or department to control the process of defence export
approvals. This agency or department could consider Australia's overall security interests when making a decision rather than just the interests of the Department of Defence (Cheeseman, 1988a:44).

Cheeseman argued that Australia would not be able to significantly increase its defence exports because over recent years there had been an increase in the number of suppliers of defence exports while there had also been a reduction in the demand for defence equipment, so creating a buyers market (Cheeseman, 1988a:38-41). This in turn has led to arms exporters lifting their defence export restrictions or finding ways to circumvent them. There has also been an increase in the role of middle-men and increasing allegations of corruption and bribery in the arms trade along with sales to the black market. For these reasons Australia's attempt to significantly increase defence exports was not only likely to be unsuccessful but also expensive (Cheeseman, 1988a:40-41). What is more, any further relaxation in defence export controls would lead to Australian defence exports going to dubious customers and being used for dubious purposes (Cheeseman, 1988a:43-44). He raised concerns that defence exports could threaten regional stability, embroil Australia in a future regional conflict and threaten Australia's own regional military technological lead through the export of Australian defence technology. As well, Australia would be seen as supporting the political rulers and policies of the nations it sold arms to which could make it unpopular with the local populations of those nations and a future Government not drawn from the present ruling elite (Cheeseman, 1988a:42).
Also questioned was the commonly held assumption that increased arms exports would significantly benefit the economy of Australia:

“Our defence industry is only a small component of our manufacturing sector, it tends to be highly specialised and is closely tied to overseas corporations. Any net increase in earnings from defence exports therefore is likely to be small and will need to be measured against some of the costs and potentially adverse economic affects of seeking to become a major arms exporter. These include the diversion of capital and key skills and materials away from other areas of the manufacturing sector, the need to import new technologies from overseas in order to establish new armaments and related industries, and the need to provide some form of Government support to sustain the factories when they are not working to their full capacity.” (Cheeseman, 1988a:42)

In his conclusion Cheeseman argued that Australia’s inability to significantly increase its defence exports raised serious questions about the Government’s ability to implement its new strategy of ‘self-reliance’ (Cheeseman, 1988a:44). He argued that:

“What is required, is a basic reassessment, in the light of the industrial as well as economic and strategic constraints facing Australia, of the weapons systems and the level of military technology that are needed to defend our interests and are possible to sustain, together with increased political and diplomatic efforts to halt the continuing spread of weapons at least within our region of interest.” (Cheeseman, 1988a:44)

that both from a diplomatic and political perspective the sale was far from straightforward. The sale provoked an outcry both domestically and internationally. This focused attention on the Government’s defence export policies and led the Government to alter those policies, argues Cheeseman, in a way that could ultimately threaten the viability of its self-reliant defence strategy. The sale also damaged relations with India, a potential major trading partner, and made the Government look vulnerable and foolish as ministers and spokespersons contradicted each other in their pronouncements (Cheeseman, 1992:1-2). He first discusses the motives behind the Mirage sale (Cheeseman, 1992:7-8), and then argues that the sale attracted considerable attention from the media; opinion for and against the sale was evenly divided. The further issue of the link between defence exports and Australia’s self-reliant defence policy was also raised by the media (Cheeseman, 1992:17-19).

During the later part of 1990 both the minister for Defence, Robert Ray, and the Minister for Foreign Affairs and Trade, Gareth Evans, were pursued in Parliament by Independent and Democratic members and outside it by the press and various concerned groups over the Mirage sale. At the time of the sale some other defence exports and approvals to export, including the approval to sell Iraq aircraft parts just before the Gulf war, caused the Government further political embarrassment (Cheeseman, 1992:27). This pressure on the Government continued as a result of the campaign in late 1991 to stop AIDEX '91 (Australian International Defence Exhibition) held in Canberra which culminated in nationally televised violent
clashes between police and demonstrators outside the exhibitions gates (Cheeseman, 1992:30-31). The Government, under this sustained pressure, altered its export control guidelines and agreed to a public inquiry into Australia’s defence exports to be conducted by the Senate Standing Committee on Foreign Affairs, Defence and Trade. The solution of the Minister for Defence, Robert Ray, to the problem was to cede responsibility for defence exports and defence industry to a newly created Parliamentary Secretary to the Minister for Defence. The first person to fill this position was MP Roger Price (Cheeseman, 1992:30-31).

Concerning the decision-making process, Cheeseman argues that up until the announcement of the sale of the Mirages on 24 April 1990 the chief concern of the Defence Department and the Government had been defence economics or, in other words, getting a good price for the surplus Mirages. The political and diplomatic dimensions seemed to have either not been entertained at this stage or at least been given a low priority. The period after the Mirage sale, however, was dominated by political considerations and manoeuvring (Cheeseman, 1992:32-33).

The questioning by sections of the media about the Government’s defence export policies, the demonstrations surrounding AIDEX ’91 and revelations concerning sales or potential sales of defence equipment to Burma, Iraq, and Somalia, along with the Gulf war itself, kept the issue of defence exports in the public arena for a substantial time after the Mirages were sold. Lobbying by individuals and groups of the Government and local members, along with pressure from the Opposition, raised the prospect of electoral damage for Labor (Cheeseman, 1992:34). So, as
the crisis developed the Government’s aim, argues Cheeseman, changed from mounting a ‘rational’ defence of the sale to a strategy of containing the political and personnel damage caused by it (Cheeseman, 1992:36). The International pressures on Australia over the Mirage sale included anger from India, whose two-way trade with Australia was worth $870 million (although India was also buying Australian military expertise in the construction of the ‘sea bird’ naval base), and concern from the United States (Cheeseman, 1992:37).

Cheeseman argues that for the Australian Government to risk this amount of domestic and international damage far more must have been at stake than a mere $36 million (Cheeseman 1992:37). He argues that the Mirage sale:

“represented an important test of the Hawke Government’s determination to establish a viable defence industry in Australia as part of its much-vaunted policy of ‘defence self-reliance’. If it allowed itself to be pressured out of the sale, this would have sent an unfortunate message to both Australia’s prospective customers and local industry to whom the Government was looking to carry out its policy.” (Cheeseman, 1992:39)

and:

“The Government recognised ... that Australia’s own defence needs were insufficient to sustain, without additional and costly subsidisation, even the limited military - industrial capabilities that were planned under its policy of ‘defence self-reliance’. It therefore encourages both Australia’s public and emerging private defence and defence-related industries to become export-oriented.” (Cheeseman, 1992:51)

The Hawke Government approved, in June 1988, new defence export guidelines which supported the increased sale of defence products overseas (Cheeseman,
These guidelines down-played human rights concerns and did not restrict the sale of defence exports to regions of conflict (Cheeseman, 1992:57-58).

The pressures of the policy of defence self-reliance, its associated defence industry policy, and the general restructuring of Australian industry, all contributed to a general climate within the Government and the Department of Defence in favour of the Mirage sale even in the face of strong public opposition. As well, a range of other interests with a stake in defence exports were developing. These included unions and companies involved in defence industry, state and local governments who stood to gain if the new defence industries were located in their region, and Federal MPs in marginal working class electorates. All could lobby the Government to increase defence industry and defence exports (Cheeseman, 1992:53). Another pressure on the Government was the funding shortfall in the Government’s defence equipment procurement programs due to budget cuts. In these circumstances even $36 million would be very useful for the Defence Department (Cheeseman, 1992:54).

Cheeseman argues that eventually these pro-defence export pressures were overcome by the political damage being done to the Government from the Mirage sale and other later revelations concerning defence exports. The result was the Government making a number of changes to its defence export control guidelines and procedures. These changes were announced in parliament on the 30 May 1991 and an amended version of the Government’s defence control guidelines was released in March 1992 (Cheeseman, 1992:64-66).
Another book by Graeme Cheeseman is ‘The Search for Self-Reliance: Australian Defence since Vietnam’, published in 1993. Part One of this book analyses ‘The evolution of Australian defence policy and organisation 1970-1991’ while Part Two looks at the ‘Problems, dilemmas and contradictions in Australia’s current defence posture’. The book contains a chapter analysing Australia’s policies on defence industry and defence exports, called ‘Arming Australia and the region’. In this chapter Cheeseman discusses the motives behind Australia’s defence industry policy and the steps taken to implement it. He writes that the Government recognised that:

“Australia’s own defence needs were insufficient to sustain, without additional and costly subsidisation, even the limited military-industrial capabilities that were planned under the Government’s policy of ‘defence self-reliance’.” (Cheeseman, 1993:45)

The Government therefore encouraged defence industry to become export-oriented (Cheeseman, 1993:45).

Cheeseman describes the changes in the defence export policy over the 1980s and 1990s, from the Cooksey Report onwards, which resulted in a general loosening of the restrictions on defence exports (Cheeseman, 1993:46-52). He writes that the initial reaction to these changes was fairly muted before then detailing the arguments of those opposed to the Government’s defence export policy (Cheeseman, 1993:53-54). Australia’s recent arms sales record is then analysed with Cheeseman proving that despite the Government’s new policy regime the real
value of Australia's defence exports has not significantly increased (Cheeseman, 1993:57). He argues that this:

"is not particularly surprising, since Australia has been seeking to enhance its share of the international arms trade at a time when the demand for weapons worldwide is decreasing ... and when the number of countries seeking to sell arms is actually increasing. Within this 'buyers' market ... prospective customers are able to demand, ... (and get) package deals involving concessions on prices, ... extended credit, and access to production facilities or associated technologies .... Under these circumstances, and in view of Australia's relatively small and unsophisticated defence industry, it will be very difficult, if not impossible, for Australia to capture major new markets or to significantly expand its defence exports." (Cheeseman, 1993:57)

This fact has led the Government to consider encouraging the defence industry to fill 'niches' in the international arms market rather than trying to make sales across the board. This strategy is, argues Cheeseman, unlikely to succeed due to the high costs and risks involved (Cheeseman, 1993:58).

The failure of the Government's defence export strategy has meant that it has had to maintain subsidies to its own defence industries and is under pressure to financially help private defence industries with soft financing and in helping to attract overseas buyers. If the world arms market remains the same the level of support required by the Australian defence industry will increase as they complete their current expansion. Unions, business, and state politicians will also increasingly put pressure on the Federal Government to further relax restrictions on defence exports. Support for the defence industry is likely to take the form of follow-up
orders for the Australian Defence Force (Cheeseman, 1993:58). Cheeseman writes, however, that:

“The dilemma for this (and any alternative) Government is that, just as the pressure to assist its defence and defence-related industries are growing, so too are the political costs of selling arms.” (Cheeseman, 1993:58)

Finally Cheeseman argues that:

“The possibility that Australia may not be able to significantly increase its defence exports, despite the best efforts of the Government and industry, raises a more fundamental concern over the longer-term viability of the strategy of ‘self-reliance’. To a large extent, the successful implementation of the new defence strategy (and the reputations of a number of key actors involved in the process) depends on Australia being able to develop and maintain a reasonably comprehensive and largely self-sufficient defence and defence-related industry. If this proves to be impossible, then the basic strategy and its associated force structure may not be able to be sustained, at least within the resources that are likely to be available for defence. Under these circumstances, Australia could either seek to rely on the United States to make up any shortfall, or it could begin, in the light of the industrial as well as the financial and strategic constraints facing it, to reassess the weapons systems and levels of technology that are required to satisfy its national security interests and are possible to sustain. Unfortunately, Australia seems set to follow the former path … (T)his is not only contrary to the basic notion of self-reliance, but it could prove to be disastrous in a future defence emergency.” (Cheeseman, 1993:60-61)

St John Kettle is another person who has critiqued Australia’s defence export policy. In 1989 his book ‘Australia’s Arms Exports: Keeping them out of Repressive Hands’, was published. St John Kettle argues that while Australia’s defence export controls are strict by international standards they still do not ensure Australia’s defence exports stay out of the hands of repressive regimes (Kettle, 1989:ii). The Australian Government’s existing defence export controls, argues Kettle:

- permit ongoing military aid (and sales) to the repressive governments of Indonesia and the Philippines;
- do not prevent the retransfer of Australian made military components into repressive hands;
- do not apply to intangible military exports such as maintenance and overhaul services; and
- do not recognise that some First World importers of Australian military equipment or components may use them for repressive purposes in the Third World (Kettle, 1989:ii).

Kettle believes that there is mounting pressure for an Australian defence export drive and a relaxation in defence export controls which could lead to Australian defence exports supplying repression (Kettle, 1989:ii). He argues that:

“The most fundamental source of pressure for a military export drive is the priority which Australia’s elite’s accord to the nation, its economy, and the level of its technology in their thinking. In crude terms, military exports are viewed as good because they help to sustain an industry which is vital for the national defence, because they improve the national economy
(narrowing the trade deficit and providing jobs), and because they build the nation’s technostructure (since military technology tends to be at, or near, the state-of-the-art). It is not that the elites ignore questions of human rights or peace - they simply tend to subordinate them to the trio of concerns above.” (Kettle, 1989:ii)

The prime vehicle for these pressures, argued Kettle, was Australia’s substantial military industry. While the moderate size of this industry meant that it was not a dominant influence on the Government, the former Labor Government, which found an economic rationale for facilitating a military export drive, gave it a sympathetic ear (Kettle, 1989:ii).

Kettle identified three fundamental elite values behind the defence exports drive which he called Iron Triangle values. They were:

“NATIONALISM: the world’s largest autonomous political unit is the nation-state, each of which has a government whose prime task is to pursue its interpretation of the ‘national interest’;

ECONOMISM: in time of peace, most governments interpret the national interest first and foremost in economic terms, whether they are of the left or right ...; and

TECHNOPHILIA: love of technology. Most governments view the hi-tech sector of the economy as its leading edge; they view its development as crucial to the future success of the economy as a whole.” (Kettle, 1989:12)

According to Kettle, Iron Triangle values are pervasive among Australia’s elites, including the Government, industry, unions and the military (Kettle, 1989:98).
Kettle believed that the arms trade allows governments to enforce socio-economic policies which create economic exploitation of people and environmental degradation, increases Third World debt and diverts resources from local needs, fuels wars, causes social dislocation and resource destruction, and so creates economic hardship for long after the war finishes (Kettle, 1989:31-32). He argued that the Iron Triangle values of nationalism, economism and technolphilia had to be subordinated to a global perspective with values of peace, political freedom, economic well-being, and ecological balance. To so change government values public pressure was required (Kettle, 1989:ii-iii,17).

Kettle argued that to reduce the pressure for defence exports, Australia’s defence policy has to be rethought and defence industry had to become less dependent on defence exports. For this to happen the Australian Defence Force had to change its procurement policy so that unit cost decreased, numbers procured then increased, there is more Australian content, and there is greater use of modified civilian products and plant (Kettle, 1989:iii-iv). He believed that:

“Higher local content means a smaller gap between the values of military imports and exports; larger numbers means longer production runs; and if equipment can be manufactured by modifying civilian plant, or by plants which also have civilian uses, then the plant can return to civilian production in between fulfilling orders for the Australian armed services.” (Kettle, 1989:iv)

Stewart Woodman provided an analysis of Australian defence industry and a brief mention of defence exports in his working paper entitled 'Defence and Industry: A
Strategic Perspective’, published in 1992. He writes that since ‘The Defence of Australia 1987 White Paper’ defence industry policy and the concept of defence self-reliance have become closely identified (Woodman, 1992a:1). He argues that Australian defence exports have not substantially risen in value over the past few years. Noting the very competitive nature of the international arms market he writes that defence exports are unlikely to greatly increase the viability of local defence production. One possible exception is if defence exports are “carefully targeted at the needs of regional countries (e.g. maritime capabilities and the support of advanced systems)” (Woodman, 1992a:4)

He argued that by the late 1980s defence industry had lost sight of the strategic reasons for its existence. The current ‘broad brush’ approach to defence industry was unsustainable and there were questions as to just how competitive and relevant to self-reliance defence industry is. Firstly he claims that local production of defence equipment is often not as cost competitive as is claimed. Apart from an overall 20 percent price preference for local production other premiums are probably present. Even the 20 percent figure gives a large premium in dollar terms if one considers that the ANZAC frigates will cost around $5 billion. Woodman questions how much foreign technology is actually transferred to local sources during local production, sighting the F/A-18 project as a case where Australia gained few long term technological benefits. Finally he sees a failure to overcome the old problem of peaks and troughs in defence procurement. In the final part of
the paper Woodman lays out his own strategic blueprint for Australian defence industry policy (Woodman, 1992a:7-11).

Stewart Woodman has also contributed a chapter titled: 'Exploding Myths: Defence Policy for Industry Beyond the Price Review' to Graeme Cheeseman’s book: ‘Fostering an Indigenous Defence Industry? Defence Industry Policy after the Price Review’. Woodman argues that what has been glossed over in the reforms to defence industry in recent years is that, despite the gain in efficiency, the traditional problems of a small market and maintaining skills and technology levels over the long term still remain. The solution to this problem proposed by the Government is defence exports (Woodman, 1994:36).

“But in focusing on defence exports it is important to look carefully at the web of logic being created. The underlying strategic priority would appear still to be able to repair, maintain and adapt capabilities for the Australian environment. But to do that, current policy suggests that Australia must be able to produce those capabilities; and it can only produce them effectively if they are exported. One can’t but help feeling that means are beginning to run away with the ends.” (Woodman, 1994:37)

The issue as to how much defence exports can be relied upon is also raised. He argues that the market in South East Asia, which Australia is targeting, is also being targeted by all the other arms exporters, many of whom can give better deals than Australia. As well, the number of combat systems purchased in the region could be reduced due to increases in their unit cost (Woodman, 1994:37). Woodman also notes that defence export sales are largely of a bilateral nature,
which could threaten Australia’s push towards a multilateral security policy (Woodman, 1994:44).

Gary Brown in his book, ‘Australia’s Security: Issues for the New Century’, published in 1994, discusses the issue of Australian defence exports. He believes that because of the small size of the Australian market, significant defence exports are necessary if the defence industry is to be sustained without government support (Brown, 1994a:85). However, the only effect of loosening defence export controls to date has been an increase in their political costs; defence exports have not increased (Brown, 1994a:86). Despite this record of failure the Government, under pressure from industry, unions, and its own desire not to have to subsidise the defence industry, has decided to try and raise defence exports by actively promoting them in South East Asia. South East Asia is seen as a growing market and defence exports are also an element of the Government’s policy of constructive regional engagement. However, in reality, the market in South East Asia is little bigger than Australia’s, so defence exports to that region will not support Australian defence industry (Brown, 1994a:89-92). Brown argues that Australia’s policy of defence self-reliance is not sustainable:

“Self-reliance in any meaningful sense has turned out to be too expensive: Australia simply cannot afford what would be required to make the ADF a genuinely self-reliant force. Recognition of this truth is, however, far away: it is something which neither the Government, the Defence Department, nor even the ADF can possibly admit.” (Brown, 1994a:104)
In 1990 the book: 'Whither Australia? A Response to Australia’s Current Defence Policy', was published. It was prepared by the Commission on International Affairs of the Australian Council of Churches, and edited by Nancy Shelley. The book provides a critique of the Cooksey Review, arguing that from its inception, in view of its terms of reference, it was pro-defence exports. The lack of provision for public debate on the issues raised is also criticised (Shelley, 1990:82-85). The book argues that the Government’s push to increase defence exports has meant a blurring of the line between the practicalities of increasing defence exports and the morality of the arms trade. Further, it is regrettable that the Australian Government sees the ASEAN region as an area of growth for weapons sales and is actively trying to create a market for Australian weapons (Shelley, 1990:86). It is stated that:

“As we look at the potential recipients, it is distressing to find large sections of the populations in great poverty, lacking even basic resources - like access to clean water - that we in Australia take for granted. Why should Australia be encouraging governments to spend money on military material instead of on goods which their people so desperately need?

When considering this method of earning money, we should note that a number of countries to which we sell have used Australian made equipment against their own people, and that some of the countries to which we are proposing to sell have authoritarian governments which act in very repressive ways that would be unacceptable in this country.” (Shelley, 1990:86)
There is also the issue that if Australia supplies arms to repressive governments, such as those in South East Asia, then Australia will be perceived poorly by the majority of people in those countries (Shelley, 1990:9).

The book warned of the dangers of linking industry closely to military contracts and an ‘export culture’. It warned of the increased problems any future government would have in breaking the link. The claim that defence contracts have a civilian spin-off in improved expertise in project management was also challenged. The lack of any real public debate or even knowledge of the changes in defence export policy was a major concern (Shelley, 1990:88-89). Another concern raised was:

“To what end is it seen advisable for countries in South East Asia to increase their level of military preparation? Why does Australia consider it in its best interests to be encouraging that increased purchase of military wares? Is it only in the hope of financial gain in the short term? Where is the broader vision of a region’s future?” (Shelley, 1990:89)

It is argued that the Government’s defence industry policy contradicts the Government’s policies for other industry sectors, in particular manufacturing. Among other things the Government has given defence industry various tax concessions, extensive bureaucratic assistance, and provides a large amount of information to assist in securing defence contracts. This runs counter to the Government’s general philosophy of allowing market forces to operate (Shelley, 1990:94). It is also argued that Australia could face the same problems as its allies have concerning defence exports. These problems are:
“governments are put under tremendous pressure by industry to accede to changes in the law to accommodate the commercial interests of the industry;

- a government’s overall policies can become captive to those of vested interests;

- foreign policy decisions can be adversely compromised;

- local State economics become captive to industry imperatives; and

- hiding behind ‘security considerations’ makes it easier for malpractice to flourish.” (Shelley, 1990:95)

Other points raised were: that Australia’s high-tech force structure and defence industry rest on the strategic scenarios of Australia’s allies whose strategic environment is very different from Australia’s; that defence industry is an inefficient way to create jobs and develop high-tech industry; the process by which defence exports are approved is flawed; and that reliance on defence exports is contrary to the aims of the policy of ‘self-reliance’ (Shelley, 1990:89, 97-99, 101-105).

During the late 1980s and early 1990s public concern at the Government’s defence export policy increased. This concern was expressed in a number of ways, including people writing to local members, writing to newspapers, lobbying the Government and the dissemination of information. This public concern culminated in the demonstrations at AIDEX ’91 (The Australian International Defence Equipment Exhibition). AIDEX ’91 was held from 26-28 November in Canberra at NATEX (National Exhibition Centre) and was organised by DESIKO, a private
company. Arms exhibitions like AIDEX ’91 and the earlier AIDEX ’89 began to be organised after the Australian Government, in the mid-1980s, decided to increase Australia’s defence industry and defence exports (Friends of the Hearings, 1995:3). Over a thousand people came to Canberra in November 1991 to protest against AIDEX ’91 and the Government’s defence export policy. Most of these people had been involved over previous years in informing themselves and others, writing letters, lobbying governments and participating companies, as well as other actions to stop AIDEX ’91. The revelations concerning the sale of weapons to Iraq that surfaced during the Gulf War shocked many people, as did revelations of Australia’s involvement in the arms trade (Friends of the Hearings, 1995:3). As the book ‘Piecing it Together’ notes:

“Much of the context in which AIDEX ’91 took place belongs to events that occurred outside Australia, particularly throughout 1991, and in which Australia was either involved or upon which its actions and policies impinged. These events had an important impact upon the minds and feelings of a broad cross-section of the Australian community.” (Friends of the Hearings, 1995:13)

These events were the Gulf War, Bougainville, Arms Transfers Across the World, Unemployment and East Timor (Friends of the Hearings, 1995:13).

The Gulf War was one event that increased people’s concerns, especially when it became evident that those most eager to condemn the size of Iraq’s arsenal were those who had supplied the equipment for it. Many people became aware of Australia’s own role in the arms trade and the fact that Australia was exporting
arms to areas of instability. The sale of Mirage fighter aircraft increased both this awareness and concern (Friends of the Hearings, 1995:15).

Australia’s role in Bougainville was also of concern. The situation on Bougainville deteriorated throughout 1990-91 and the actions of the PNG military were frequently in the Australian news. These actions included committing atrocities, acting without their own government’s knowledge’s, and against its directives. Australia’s training of PNG forces and its supply of equipment, especially helicopters which were armed with machine guns and used against unarmed people, alarmed many Australians (Friends of the Hearings, 1995:16).

Despite the end of the Cold War, and apparent peace in a number of the world’s trouble spots, the fact that Australia was increasing its defence industry and trying to increase its defence exports did not go unnoticed within Australia. Many Australians were concerned at the Government’s priorities as it increased expenditure on defence industry at a time of high unemployment (Friends of the Hearings, 1995:17-20). Finally the Dili massacre in East Timor in November 1991 shocked Australians, and Australia’s developing defence ties with Indonesia were questioned. The Defence Co-operation Program (DCP) came in for particular criticism (Friends of the Hearings, 1995:20-21).

The extent of opposition to AIDEX ’91 among the general population has largely gone unnoticed, as has the preparation that preceded it. At the military exhibition called AIDEX ’89 opposition was substantial. When DESIKO announced at the end of AIDEX ’89 that it intended to organise the next AIDEX in November 1991
preparations began immediately by those opposed to the military exhibitions to inform people throughout Australia of the Government’s involvement in such exhibitions and their critical role in its defence export policy (Friends of the Hearings, 1995:51).

In preparation for AIDEX ‘91 research was done into the Government’s policy and books, pamphlets, papers and newsletters were written. A single page paper was circulated widely by the Stop Aidex Campaign (SAC). The Campaign Against the Arms Trade (CAAT) issued a newsletter monthly from Senator Jo Vallentine’s office. As mentioned, the Church Commission on International Affairs of the Australian Council of Churches published in mid-1990 a book entitled: ‘Whither Australia? A Response to Australia’s Defence Policy’. This book gave a detailed critique of the Government’s defence and defence export policies (see above). A chapter on Arms Exhibitions was included, and the book was circulated widely both inside and outside the churches (Friends of the Hearings, 1995:53).

The information bulletin ‘Disarm AIDEX ’91 Campaign’ was released by the Sydney Peace Squadron (SPS) and focused on companies taking part in AIDEX. The Community Aid Abroad Review carried in its Winter 1991 edition a four-page special feature under the heading: ‘Australia’s Military Exports to the Third World’ and analysed in detail many elements of the Government’s defence export policy and activities. The booklet ‘Australians Trading in Death and Destruction’ was launched in July 1991 in Newcastle. The booklet detailed the involvement of
Australian companies and the Australian Government in the international arms trade (Friends of the Hearings, 1995:54-55).

In the Federal Parliament, Senator Jo Vallentine (Greens WA) in early 1991 moved a motion calling for the cancellation of AIDEX and for the Government to scrap its goal of doubling defence exports. Many parliamentarians felt increasing unease at the Government's policies and several became actively involved in opposing AIDEX. As well a large number of letters from both individuals and various organisations were written to the Prime Minister, the Minister for Defence and to other politicians opposing AIDEX and the Government's defence export policy. Local MPs were also lobbied and asked to convey to the Government the widespread opposition to AIDEX (Friends of the Hearings, 1995:54-57).

Companies involved in AIDEX '91 were written to and the serious concern at their involvement was expressed. (Friends of the Hearings, 1995:57). The opposition to AIDEX was widespread and:

"was expressed, in resolutions passed, and media statements made by sections of all the mainline churches, by the Australian Council of Churches (ACC), ... by religious leaders of several denominations across the country, and by Trade and Labor Councils. University students, Environmental groups, Women's groups, Aid Agencies, Peace groups, too, began to publicly express their opposition." (Friends of the Hearings, 1995:59)

A number of new groups, such as the Stop Aidex Campaign, were formed to oppose AIDEX. These new groups worked closely with established groups like the Australian Anti Bases Campaign Coalition.
“Some people in the Stop Aidex Campaign worked for up to two years, moving throughout the country, informing groups, speaking at public meetings, making links with unions, church people, environmental, peace, social justice and protest groups.” (Friends of the Hearings, 1995:62)

Letters were written to the major newspapers on behalf of institutions, groups, and individuals. Local papers and church papers also printed letters opposing Aidex. The Canberra Times agreed to publish two major articles during the week of Aidex. One article was entitled ‘Arms Bazaar is doing Australia no credit’ and was written by Ian Buckley, an ACT committee member of the Medical Association for the Prevention of War (MAPW) and a retired medical scientist from the ANU. The other, which presented the pro-Aidex view, was entitled ‘Aidex Protest is anarchy, emotion versus logic’ and was written by Sir William Keys, a Director of DESIKO and a past President of the RSL (Friends of the Hearings, 1995:64-65).

While the protest at Aidex ’91 was largely peaceful, and the vast majority of protesters were peaceful, a number of violent clashes between police and some protesters did occur. It was these clashes upon which the media focused (Friends of the Hearings, 1995:376-377). Generally the media reported these clashes in an even-handed manner (WIN News Footage, 1993), but the concentration by the media on the violence surrounding Aidex meant that the fundamental issues of whether Australia should be holding such exhibitions and the appropriateness of Australia’s defence export policy largely went unreported. The protesters
themselves were often discredited and, by implication, their cause by being labelled 'professional protesters' by the media. It was:

"evident that the part played by the media was unquestionably selective and frequently displayed, and told, in emotive language to reinforce the basis of that selectivity i.e. of confrontation and violence." (Friends of the Hearings, 1995:433).

That there was widespread community concern about Australia's involvement in the arms trade was acknowledged by the Chairman of the Parliamentary Committee, which conducted the Inquiry into the 'Implications of Australian Defence Exports', as the reasons why the Senate set up the inquiry. (Friends of the Hearings, 1995:433). The events surrounding ADEX '91 and revelations about Australian defence exports around that time focused considerable public attention and pressure on the Government's defence export policy. There were also over the late-1980s and early 1990s a number of less radical critiques of the Government policy from academics, researchers and bureaucrats. How the Government responded to these pressures, and why, is analysed in the next two chapters.
CHAPTER 7

THE GOVERNMENT’S RESPONSE

As mentioned in the previous chapter, by 1992 the Federal Government’s defence export policy faced public protests and criticism from both academia and the bureaucracy. The defence export policy was, even by its own original criteria, a near-total failure. The Government responded to the public protests by agreeing to a parliamentary inquiry into its defence export policy and responded to the failure of its defence export policy by initiating an inquiry by Roger Price, the Parliamentary Secretary to the Minister for Defence, into Defence Policy and Industry. The Government’s future policy direction was made clear in its ‘Strategic Review 1993’ and its ‘Defending Australia 1994’ Defence White Paper.

In late 1992 Roger Price finished his report into ‘Defence Policy and Industry’. The report was “to chart the way ahead for defence industry policy”. Price saw defence industry as the important ‘fourth arm’, after the Navy, Army and Air Force, in the defence of Australia. Defence industry had to ensure Australia’s self-reliant defence policy worked and that the ADF was equipped with the most modern equipment available (Department of Defence, 1992a:i). He restated the Government’s defence industry policy adage that:

“A technologically innovative, internationally competitive and outward looking Australian defence industry is an essential arm to the independent defence of Australia and its interests.” (Department of Defence, 1992a:ii)
Price also repeated the often-stated but rarely proven perception that the defence industry encourages technological transfers, ongoing collaboration between Australian and overseas firms, increases managerial expertise and quality control, and so has significant civil industrial spin-offs. Defence industry was also seen as providing an early lead for "emergent industry capabilities" (Department of Defence, 1992a:3,5). A good example of the problematic nature of industry spin-offs is provided by the F/A-18 program. A Department of Defence report found that the F/A-18 program itself was well run and that the Australian aircraft industry gained some valuable skills. However, when the F/A-18 program concluded in 1990 "the subsequent commercialisation of these skills was not as successful as originally predicted."(Department of Defence, 1994b:62) As well, the maintenance of these capabilities has proven difficult "and several of the hard won and expensively established capabilities have been lost, downgraded or are under threat." (Department of Defence, 1994b:61; see also Kentish, 1990, cited in Woodman, 1992a:8)

Price's strategic rationale for an increase in Australia's defence capabilities, and by implication its defence industry, was the 'more complex post Cold War security environment', and were needed 'to anticipate future developments'. A major concern was:

"the aggressive marketing and acquisition in our region of modern military technologies, and the increasing ability of regional countries to absorb and support such technologies." (Department of Defence, 1992a:13)
This concern is quite ironic since later in his report Price calls for Australia to increase its effort in promoting defence exports to our region (see below).

Price argued that defence acquisition strategies had to focus more on the needs of defence industry in order to help increase the commercial viability of investment in defence industry capabilities (Department of Defence, 1992a:24-25). He proposed the development of longer-term relationships between defence and private companies and flagged the possibility of the need for ongoing and direct support for some defence industry sectors (Department of Defence, 1992a:12). Defence industry was asked to focus on high technology products in which Australia is competitive and for which overseas niche markets exist (Department of Defence, 1992a:16). The need to focus on areas crucial to the sustainability of the ADF seemed to have been lost.

Price argued, as had the Government since 1986, that for the defence industry to be sustainable defence exports were crucial. After making an ambiguous reference to Australia’s defence export controls he wrote that:

“defence-related exports ... provide business opportunities for local industry, lower unit costs for Defence from economies of scale, help sustain important capabilities in Australian industry, and promote our strategic interests.” (Department of Defence, 1992a:34)
He listed the substantial number of measures Defence takes to assist defence exports and called for this assistance to have increased effectiveness through better co-ordination and greater strategic focus. In line with the Government’s current policy this ‘greater strategic focus’ was to be on the Southeast Asian region, writing that:

“Australia’s security is tied to the strategic stability of the Southeast Asian region, and is pursued through a range of substantial mutually beneficial linkages. Australia and the countries of Southeast Asia will face many similar defence planning concerns over the next decade, and there are growing opportunities for Australian industry in regional defence markets which would contribute to our security partnership with the region.” (Department of Defence, 1992a:34-35)

A direct slap-in-the-face to those who had raised concerns about Australia’s defence export policy was delivered by Price when he wrote that:

“Effective interaction in international markets by Australian Defence industry will require broad acceptance in the community that export controls should not be used as the first lever of diplomatic reactions.” (Department of Defence, 1992a:35)

He recommended a number of specific measures to increase defence exports. These measures included:

- Export facilitation by Defence will be through a more formalised Defence Export Program.
- Facilitation will focus on co-ordinating export activities within Defence, evaluating methods of export assistance, disseminating information to industry, and identifying regional export opportunities.

- The program will be responsible for organising briefings for Defence Attaches, and co-ordinating Defence marketing support activities such as product endorsement and trade shows and missions.

- Defence will continue to make ADF or other Defence personnel available to support promotional efforts.

- More substantial links will be established between the Defence Export Program and those areas within Defence responsible for strategic planning and force development.

- Defence will continue to develop Government-to-Government arrangements which facilitate access to international markets for Australian firms, and facilitate regional collaboration and trade in defence-related products.

- The Defence Export Program will develop a training program for Defence Attaches on strategic export opportunities and their identification and undertake liaison with industry for follow-up action.

- The Defence Export Program will provide detailed briefings to Defence Attaches on Australian industry capabilities to meet regional requirements.

- The Defence Export Program will co-ordinate an industry mission to the Southeast Asian region.
On a trial basis, Defence will fund the use of specialist consultants in at least two posts in Southeast Asia to assist Australian industry in its marketing efforts with regional Defence organisations.

Defence will continue to monitor the relevance of export guidelines and approval procedures to the needs of industry, as well as the Government’s strategic and foreign policies (Department of Defence, 1992a:ix-xi).

The Government accepted these recommendations and quickly set about implementing them. The implication of these measures is to tie the Defence Department much more closely to industry in the promotion of defence exports to the region.

Roger Price also discussed the issue of Defence Export Guidelines. He argued that the role of Australia’s defence export controls was to ensure:

“that the commercial activities of Australian companies and individuals in overseas markets do not conflict with Government international commitments and foreign policy interests.” (Department of Defence, 1992a:37)

No mention is made of issues such as Australian defence exports being used in human rights abuses, being supplied to parties in a conflict, or to regions of tensions. Such concerns seem not to “conflict” with Australia’s international
'commitments' or foreign policy 'interests'. Indeed, defence exports are seen as an important part in Australia's foreign policy of closer ties with Asia.

It is, therefore, not surprising that the reforms to the defence exports guidelines instituted by Price were all aimed at reducing the restrictions on defence exports. He wrote that the Defence Department will:

- "Continue to monitor the relevance of export guidelines and approval procedures to the needs of industry, as well as the Government's strategic and foreign policies;
- Enhance export and marketing data capture and processing to help structure facilitation towards priority markets, and provide the basis for specialist advice to industry; and
- Give Defence Acquisition and Logistics regional offices additional responsibility and training for liaison with industry and State Governments in areas of defence export co-ordination." (Department of Defence, 1992a:37)

The Price Report failed to confront the serious issues concerning defence industry and defence exports; and instead, merely reaffirmed the Government's previous policy of viewing defence exports as the saviour of defence industry. The report reaffirmed the Government's view that the Southeast Asian market would rescue the current poor defence export performance and that defence exports to Southeast

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Asia would further Australia’s foreign policy of engagement with Asia. The Department of Defence was also to play a greater role in the promotion of defence exports to the region.

As mentioned previously, the Government’s response to the public protests over its defence export policy was to agree to a parliamentary inquiry into defence exports. The inquiry was undertaken by the Joint Standing Committee on Foreign Affairs, Defence and Trade and in 1994 the Committee released its ‘Report on the Implications of Australian Defence Exports’. While the inquiry was set up as a result of the public critique of the Government’s defence export policy, the committee seemed to take few of these concerns seriously, and its report seems to echo the Government’s line.

The report accepted the DFAT belief that a regional arms race could be triggered by China’s force modernisation and future strategic designs, by a reduction in the United States regional presence and commitment, or by inter-ASEAN rivalry (Joint Standing Committee on Foreign Affairs, Defence and Trade, 1994:25). The committee also believed that the criticism that there is a lack of strategic direction in defence industry, and defence export policy, is being addressed by the Government through the ‘Strategic Review 1993’, the release of the draft Defence Exports Strategy Statement, and the 1994 Defence White Paper ‘Defending Australia’ (Joint Standing Committee on Foreign Affairs, Defence and Trade, 1994:36). The Committee commended the Government’s approach to defence export controls:
"The Government has taken a responsible approach to its defence exports policy by matching a facilitation program with a comprehensive set of guidelines and controls on defence exports. It is difficult to achieve a balance between these factors. The Government has seriously attempted to achieve such a balance." (Joint Standing Committee on Foreign Affairs, Defence and Trade, 1994:38)

The Committee also stated that the present defence export guidelines appropriately balance the need to export with Australia’s ‘other interests’, and commented on how much of an improvement they are over previous guidelines (Joint Standing Committee on Foreign Affairs, Defence and Trade, 1994:50).

While the committee found that ‘real’ defence exports for 1992 were only $17 million (Joint Standing Committee on Foreign Affairs, Defence and Trade, 1994:22), indicating a complete failure of the Government’s policy, its solution was to increase the help offered to defence exporters. It wrote that:

"While the Committee acknowledges that the development of an export facilitation scheme such as the Defence Export Program is a demanding and complex task, it is concerned that the pace of implementation is so slow. Even taking into account the different time frames for implementation, the achievements on the defence exports control side are not matched by the facilitation work. Both strategic and economic benefits are expected from the program. Defence must ensure that its performance is directed towards achieving both ends.” (Joint Standing Committee on Foreign Affairs, Defence and Trade, 1994:79)

The last two sentences of the above quote clearly emphasise the importance the committee, like the Government, places on the “economic” and “strategic” benefits
of defence exports and that these concerns are seen as overriding concerns expressed on "the export control side".

The report hardly mentioned, and totally failed to analyse, the human rights and political concerns raised by defence exports. Its only recommendations concerning these issues were that the Department of Foreign Affairs and Trade review all applications and that a computer link be established between DFAT and Defence for defence export applications. As will be discussed later these changes are unlikely to have any effect on controlling defence exports as those officers in DFAT who review defence export applications have a near-identical outlook as those in Defence. All of the other recommendations by the committee were aimed at increasing defence exports; for example, the committee recommended that:

- both matters of national and regional security be of primary consideration when decisions regarding defence exports are taken;
- the Department of Defence direct its resources to make the Defence Export Program fully operational;
- the Department of Defence give priority to endorsing appropriate Australian defence products and services particularly those developed and used by the Department of Defence and the Australian Defence Force;
- the integration of defence exports and procurement activities in Defence be completed within six months of the tabling of this report;
- the Department of Defence consult with Austrade and DIST (Department of Industry, Science and Technology) to establish what additional export facilitation services and activities it might need to develop to assist smaller and medium size defence export businesses and then implement those facilities; and
- the Department of Defence, in consultation with other agencies and industry, establish an appropriate mechanism for coordinating industry input to the defence export facilitation process (Joint Standing Committee on Foreign Affairs, Defence and Trade, 1994:11-12).

The report concludes with the nondescript and meaningless statement, which gives a feel for the report overall, that:

“Given increased international interest in international arms transfers, Australia must be vigilant that its own controls remain appropriately balanced.” (Joint Standing Committee on Foreign Affairs, Defence and Trade, 1994:88)

The report’s lack of analysis of many of the defence export issues and community concerns that had resulted in the inquiry being set up in the first place led a number of committee members to write “An Additional Report”. The additional report argued that these issues were not included in the majority report, not through a lack of discussion or evidence, but rather because of the pro-export attitude of most members of the committee, their focus on export facilitation programs and
schemes, and their uncritical standpoint of increasing defence exports (Joint Standing Committee on Foreign Affairs, Defence and Trade, 1994:89).

The additional report argued that the majority report neglected the weight of evidence that the Government’s policy of increasing defence exports was a failure and would continue to fail. It argued that the Government’s defence export drive into the ASEAN region was inappropriate because:

“It is fuelling a form of modernisation that goes beyond simple replacement to a change in the nature of military forces in the region ....

The current push for exports to ASEAN is doubly inappropriate since many of the nations who would be customers do not have strong democratic traditions, have heavy military involvement in the political process, and have poor or irregular human rights records. It is highly probable that exports may be involved in human rights and civil rights abuses ....” (Joint Standing Committee on Foreign Affairs, Defence and Trade, 1994:127)

Those who wrote the additional report believed that the attitude that informed the majority of the committee was one that put profit before humanitarian interests and that had a blind belief in the benefits of defence export promotion, whatever the evidence to the contrary. This attitude, at a broader level, led to:

“a disjunction between the guidelines and formal procedure and the actual implementation of defence export regulation. It is clear that there is a disjunction between theory and practice here, and we have recommended several steps to close that gap, but the success of any recommendation is contingent on a willingness to make them succeed. This will require a change of attitude, or a transparent system of accountability and responsibility which will enable the parliament and community to assure success.” (Joint Standing Committee on Foreign Affairs, Defence and Trade, 1994:127-128)
The majority report generally agreed with the Government’s defence export policy and therefore had little, if any, impact on that policy. This highlights the fact that both the major parties (Labor and Liberal), and the National party, have few differences regarding defence exports. This means that parliamentary debate on defence exports is almost non-existent. Also, as the major political parties and the bureaucracy agree on defence export issues there is little pressure for internal bureaucratic analysis of defence export policy. The ‘additional report’, while critical of the Government’s policy, was signed by only six parliamentarians (mostly from the minor parties) so that it too had no impact on the Government’s defence export policy.

During 1993 and 1994 the Government released two documents that made clear the direction its defence export policy would be taking throughout the 1990s. These two documents were ‘Strategic Review 1993’ and the 1994 Defence White Paper ‘Defending Australia’. ‘Strategic Review 1993’ (SR93) was aimed at adjusting Australia’s strategic planning to the post-Cold War world. Its main focus was regional security issues and Australia’s role in the region. The Review stated that because of the introduction of high-technology weapons systems into the region, and the increasing technological and economic standards of Southeast Asian nations, there was a good opportunity for Australia to establish itself as the industrial base to help support regional forces and to substantially increase defence industry cooperation and defence exports to the region (Department of Defence,
This cooperation was seen as a major part of Australia’s overall ties with Asia:

“The prospect of substantive defence science and industry cooperation with our region offers opportunities for a major enhancement of Australia’s overall relationship with regional nations - especially in South-East Asia. Substantive cooperation in these areas would go a long way towards building strategic partnership with South-East Asia. Hence, and in cooperation with regional neighbours, we should seek to establish Australia as a defence industry and technology base for South-East Asia. Collaborative ventures and exports to our region will improve the compatibility of Australian and regional defence systems, while helping Australia to achieve its aim of security ‘in and with Asia’.” (Department of Defence, 1993:27)

The Review stated that defence exports improve Australia’s national capacity for defence, improve industrial efficiency, retain defence industry capabilities, and provide a more constant work flow for Australian firms (Department of Defence, 1993:27). The Review then, in a direct warning to those who might challenge and change the defence export guidelines, argued that:

“If we are to improve prospects for defence science and industry cooperation as a means of deepening our engagement with our neighbours and enhancing regional security, long-term consistency is required in our defence export guidelines and practices. Our acceptability as a commercial partner will depend on our reliability as a supplier.” (Department of Defence, 1993:27)

Later, in an apparent reference to defence export controls, the Review stated that:

“The approach to exports and collaborative developments in our region will need to reflect a balance of our strategic interests. In practice, there will be few cases where we should be constrained on strategic grounds, given the competitive nature of the international defence market.” (Department of Defence, 1993:74)
“Within these and other constraints of Government policy, the approach should be to encourage increased market opportunities abroad. The acceptability of Australia as a commercial player will depend on our reliability as a supplier. It is important that defence export guidelines and practices clearly support this approach.” (Department of Defence, 1993: 74)

The inference is clear, if Australia is to increase its defence exports to the region then it must be a ‘reliable’ and ‘consistent’ supplier and not allow political, strategic, or social events in Asia to influence defence export decisions. This is in spite of the dramatic internal political upheavals that have occurred, and are likely to occur in the future, in our region.

‘Strategic Review 1993’ did not mark a radical departure from previous government policy, but rather reaffirmed the Government’s policies. It argued, as had the Government, for the encouragement of defence exports and their use to further the policy of engagement with Asia and implicitly implied that concerns such as internal political repression or human rights abuses should not affect ‘long-term’ defence export relationships. None of the major problems with the defence export policy were mentioned.

‘Strategic Review 1993’ was followed in 1994 by the Government’s Defence White Paper entitled ‘Defending Australia’. ‘Defending Australia’ was said to explain ‘how the Government will manage Australia’s defence into the next century’. The White Paper argued that Australia’s strategic environment was
becoming more ‘demanding’ and that therefore the contribution of industry to Australia’s defence effort will become more important (Department of Defence, 1994a:113). It was stated that the defence industry had benefited from the Government’s overall industry policies including the push to increase exports. As well industry generally had benefited from defence industries through the encouragement of efficient production and work practices as well as an export orientation. Defence industry policy was said to conform with the recent White Paper on Employment and Growth (Department of Defence, 1994a:113).

However, the White Paper argued that as the demand for defence products within Australia was too small to sustain a substantial defence industry, defence exports were necessary for long-term sustainability (Department of Defence, 1994a:114). This was despite the later admission that for 1993-94 defence exports were only $70.6 million (Department of Defence, 1994a:122); this was nowhere near Cooksey’s target of $500 million. The White Paper said that the Government had accepted the recommendations of the 1992 Price Report. Many of these recommendations had already been implemented, including those aimed at better directing export facilitation and the use in Southeast Asia of specialist trade commissioners. The Government was also developing the long-term relationships between Defence and industry that Price had proposed (Department of Defence, 1994a:116).

The White Paper stated that ‘Strategic Review 1993’ had explicitly set forth the Government’s defence industry priorities. It was therefore no surprise when it
argued for the defence industry to concentrate on the Asian and Pacific markets, as well as niche markets in North America and Western Europe (Department of Defence, 1994a: 115-116). It argued that:

“Southeast Asia offers particularly important opportunities for material cooperation and defence exports. Many countries in the region are undertaking substantial defence re-equipment programs, focusing on higher technology maritime and air capabilities. Australia has long-standing expertise and strong recent experience in these areas as a result of our acquisition programs in warship and submarine construction. We will continue to emphasise the development of cooperative material programs in which two or more countries work together to develop, build and maintain defence equipment. Such programs provide opportunities for all parties. Our long-standing defence relationships with many countries in the region provide a strong basis to develop such arrangements.

... Especially important will be the prospective benefits of any proposed project for selective interoperability and combined training”. (Department of Defence, 1994a: 122)

It then went on to describe how, because of the ‘clear benefits’ of increased defence exports, it will maintain an active defence export facilitation program. The Government was to consult with industry to develop an export and material cooperation strategy that “will focus on the longer term strategic benefits from defence exports, especially in our nearer region”. (Department of Defence, 1994a: 123)

In an apparent attempt to allay concerns over the Government’s defence export policy the White Paper made a number of references to the Government’s ‘strict controls’ and ‘carefully enforced’ defence export guidelines. These guidelines were said to ensure that Australian defence exports were consistent with its wider
national, foreign policy and strategic interests. However, it was then stated in the next paragraph that “defence exports support Australia’s strategic interest”. (Department of Defence, 1994a:121) It was also the Government’s aim to use defence exports to further its foreign policy objective, seen to be in the ‘national interest’, of engaging with Asia. In the same paragraph it stated that defence exports “provide a valuable basis for enhancing our defence relationship with countries in the region as well as our traditional partners.” (Department of Defence, 1994a:121) The references to defence export guidelines were interspersed with comments like “countries have the right to self-defence, and hence to buy and sell defence equipment” and:

“These strict controls have still allowed significant improvement in the time taken to process approvals for exports. In this way, the Government ensures that Australian industry has every opportunity to sell appropriate defence products overseas.” (Department of Defence, 1994a:121-122)

The only reference to the countries that “seriously violate their citizens human rights” had the qualification that defence exports would be restricted “unless there is no reasonable risk that the items concerned will be used against those citizens”. (Department of Defence, 1994a:121-122)

The 1994 White Paper ‘Defending Australia’ reaffirmed the Government’s previous policies of encouraging defence exports in order to support local defence industry and of linking defence exports to its policy of engagement with Asia. None of the serious flaws in these policies, which I have discussed earlier, were
analysed or even mentioned. Nor were issues like human rights, inequality, or political repression mentioned. The only change from previous policy documents was a slight change in rhetoric, but not substance, concerning defence export controls. The Government continued to see the Southeast Asian market as the saviour for defence exports despite evidence to the contrary.

The best indication of the Government’s response, however, was in its actions. In 1994 the Minister for Defence, Robert Ray, gave his approval-in-principal for Australia to sell Steyr rifles to Thailand; a country noted for its human rights abuses, military coups, and support for the Khmer Rouge. When Gareth Evans learned of the potential sale he stopped his previous criticism of the Thai regime; suggesting that his previous comments may have “been a little unfair”. Gareth Evans also did not oppose the later application to sell steyr rifles to Indonesia. In the end neither country decided to buy the rifles (Cheeseman, 1996:11-13). Australia is still marketing steyr rifles in the region.

In conclusion, it is apparent that the Government did not significantly change its policy concerning defence exports despite the obvious failure of that policy, the public protests, and academic and bureaucratic critiques. No changes were made to the defence export control guidelines. The only apparent effect of the concerns over defence exports was a slight change in Government rhetoric, but not substance. The question must be asked as to why the Government made no change to its defence export policy, and this question will be discussed in the next chapter.
CHAPTER 8

EXPLAINING THE GOVERNMENT'S RESPONSE

The previous chapter argued that the Government's response to the protests and critiques of its defence export policy involved no significant change to its policy and only a slight change in rhetoric. The reasons for this response can be found in the various pressures the Government was experiencing concerning its defence export policy along with the dominant Realist theoretical mindset of the Government and the Defence and Foreign policy making community.

By the mid-1990s the Australian Government was under increasing pressure from the defence industry to reduce restrictions on defence exports. The Government's policy of defence self-reliance had encouraged a rapid expansion of the defence industry during the late 1980s and early 1990s, especially in shipbuilding. With the end of those large initial Australian defence orders in sight, and no evidence of more orders, the defence industry had to significantly increase defence exports if it hoped to maintain present capabilities. The fear that a reduction in the defence industry would cost jobs was also significant. Also, the defence industry tended to be regionally concentrated and so could exert considerable political pressure on local members.

The Government was exacerbating this predicament by continuing “to give priority to capabilities which rely on high technology” (Department of Defence, 1994a:21-
22), and by the re-emphasis in the force structure of long range strategic strike capabilities which local industry had little hope of supplying or even supporting. The 1994 Defence White Paper emphasised the option of carrying out strikes on an ‘aggressor’s’ military assets, land-based forces and infrastructure. It was argued that these strike capabilities needed to be maintained at a high level of readiness and that Australia’s defence-in-depth strategy required “the full range of defence capabilities” (Department of Defence, 1994a:29, 31, 44, 52). By the mid-1990s the concept of self-reliance had been significantly qualified; the new emphasis being self-reliance in the context of regional engagement and traditional alliances (Department of Defence, 1993:1).

By the early 1990s the chief justification and driving force for Australia’s defence export policy was the Government’s policy of engagement with Asia. The 1994 Defence White Paper argues that:

“Active engagement in the strategic affairs of the region will be as important to Australia’s long-term security as economic engagement will be to prosperity .... Bilateral defence relationships, especially in Southeast Asia, will expand as our levels of military capabilities converge and we increasingly recognise shared strategic interests.” (Department of Defence, 1994a:16)

Defence exports and defence equipment co-operative projects were increasingly being seen as crucial to Australia’s policy of ‘strategic partnership’ with Asia. Indeed, it was hoped that Australia might become “a defence industry and technology base for Southeast Asia.” (Department of Defence, 1993:27, also
The prospects for defence exports were said to be good, despite the evidence to the contrary.

These reasons alone, however, do not fully explain the Government's near-total ignorance of the protests and critiques of its defence export policy, and the overwhelming evidence that its policy had failed. For this explanation it is necessary to look at the dominant 'mindset' of the Government and the Defence and Foreign policy-making community. As discussed in Chapter 3 this community is dominated by Realist and neo-Realist theory.

The Government's policy documents 'reek' of Realism. McKinley writes that because such documents:

"are ... exercises in self-justification, they are quite explicit disclosures of Government discourse in action. Indeed, the rules which govern the production of knowledge useful for, and by, the state are perhaps no where better evident than in such texts." (McKinley, 1995:13)

Such documents therefore illuminate the core values and assumptions behind Australia's defence and foreign policy and therefore, also, behind Australia's defence export policy. That there is a security policy-making community with near-identical Realist values is well illustrated by the similarity between the Department of Defence's and Department of Foreign Affairs and Trade's submissions to the parliamentary inquiry into the Implications of Australian Defence Exports (Department of Defence, 1994c:S230-S257; Department of Foreign Affairs and Trade, 1994:S258-S284). At the same inquiry DFAT stated that it was satisfied
with the present process of approving defence exports even though that process is
dominated by the Department of Defence (Department of Foreign Affairs and

As mentioned in Chapter 3, the most important actor for Realists in world politics
is the State. The State is seen as a unified entity, whose existence, boundaries,
legitimacy, interests and ability to make ‘rational’ decisions are taken as given and
the pursuit of power is the State’s number one interest (George, 1988:66, 99).
These State-centric values are very evident in the Government’s policy documents.
These documents are full of references to the States of Southeast Asia, how
Australia is ‘engaging’ with those States, and how Australia shares ‘common
security concerns’ with those States. The unity of the State is seen as particularly
important. Australian interests, for example, are said to be best served by a “stable”
and “cohesive” Papua New Guinea (Department of Defence, 1994a:92). In the
same document despite three pages being devoted to Indonesia there is not one
mention of the various separatist movements in that country. Despite the well-
documented repression of those movements by the Indonesian Government,
Australia and Indonesia are said to have “shared strategic interests and
perceptions”; and later that “Combined exercises, involving Indonesian and
Australian forces are ... likely to become more frequent, covering naval, land and
air forces, including special forces.” (Department of Defence, 1994a:87) Yet
Indonesia’s special forces have been involved in various atrocities in East Timor
and Irian Jaya.
The Realist and neo-Realist conception of the State as a unified entity means that it is only the ‘rulers’ or ‘elites’ of States who can conduct inter-State relations and are therefore important. This ‘elitist’ approach is evident in the emphasis in Government documents on developing links with the elites of Southeast Asian countries, and in particular the military elites. ‘Strategic Review 1993’ argues that defence links with the military elites of Thailand and Indonesia can “be an important element in our wider national engagement with Southeast Asia.” (Department of Defence, 1993:23) This elitism is also reflected in the fact that in the Government’s Defence policy documents other ‘classes’ of people in regional countries rarely, if ever, receive a mention. Classes and groups such as the working class, peasants, women, urban poor, and indigenous people are seen as irrelevant to international relations. In the Government’s recent ‘Strategic Review 1993’ and ‘Defending Australia 1994’ documents these classes or groups are not mentioned at all. Frequently used terms like shared strategic or national ‘interest’ mean the shared ‘interests’ of the ruling elites (including defence bureaucracies).

Realists refuse to acknowledge a connection between domestic and international politics. Indeed, domestic politics are so taken for granted that their analysis is seen as unnecessary by International Relations scholars (George, 1994:223). The complexity of politics is not recognised but rather, if analysed, it is seen in economic terms as comprising simply an effort to achieve economic ends (George, 1988:102). Pauline Kerr and Andrew Mack have made the observation that in Australia:
“There is very little exchange between Asia-Pacific country specialists who study internal security issues in various Asian states, and those international relations and strategic analysts who look at external security relations in the region.” (Kerr and Mack, 1994:17)

They later argue that because Australia’s security analysts (meaning those within the defence bureaucracy and working at the Strategic and Defence Studies Centre at the Australian National University) lack specific country expertise “much of the research on Asia-Pacific security issues in Australia takes a region-wide or sub-region wide perspective.” (Kerr and Mack, 1994:23) The effect that political change may have on Australia’s relations with particular countries does not get discussed, nor does the possibility of revolutionary change. In terms of defence exports this is an important omission as today’s victims of Australian defence exports could be tomorrow’s national leaders.

The lack of concern by Realists and neo-Realists with domestic politics means that they fail to analyse the anarchy created in societies by strong governing authorities, and the whole issue of domestic anarchy is rarely discussed (George, 1994:121). Such views lead to the glowing praise given to the Suharto Government of Indonesia for its contribution to that country’s ‘stability and cohesion’ apparent in the ‘Defending Australia 1994’ White Paper (Department of Defence, 1994a:87). Again, the negative consequences of three decades of dictatorship are not mentioned. The disdain for domestic politics means that Australian Realists also disregard the Australian public’s concerns with security issues. Indeed, the
Government's whole approach to the various public critiques and concerns raised over its defence export policy highlights this point.

One of the major Realist aims is the promotion of stability. By implication this means maintaining the status quo and discouraging change, which helps explain the Australian Government's support for the current regimes of Southeast Asia. The Australian Government's security documents contain many references to 'stability'. For example:

"To help promote stability at a time of considerable strategic change in our region, it is important for Australia to be closely involved in regional affairs." (Department of Defence, 1993:21)

and

"Australia's national security is enhanced by political and economic stability in Southeast Asia. Of major strategic benefit to Australia has been the ASEAN countries' increasing economic and political resilience." (Department of Defence, 1993:22-23)

as well as

"Australia looks for stability in Indonesia". (Department of Defence, 1994a:39)

As defence exports are an important part of Australia's 'involvement' with Asia; defence exports, by implication, are seen as promoting the 'stability' and 'political resilience' of the region.
Change is seen in a very negative light by Australia’s Realist security policy making community. For example:

“Economic growth will increase the power of nations in our region, and political change may make their policies less predictable. Because of these uncertainties, we acknowledge the possibility that our security environment could deteriorate, perhaps quite seriously in the future.” (Department of Defence, 1994a:4)

This last comment highlights a major contradiction in Australia’s security thinking. Economic growth in Asia is seen as providing Australia’s economic (and defence export) future while at the same time it is seen as potentially being a significant threat to Australia’s security. This possibly reflects the meshing of Realist, neo-Realist, and Rationalist thinking in the Australian Government’s approach. Other threats of change are also identified:

“ethnic and national tensions, economic rivalry, disappointed aspirations for prosperity, religions or racial conflict, or other problems could produce an unstable and potentially dangerous strategic situation in Asia and the Pacific over the next fifteen years.” (Department of Defence, 1994a:8)

Such changes are seen as bringing ‘anarchy’ to the previously ‘stable’ (in Realist terms) order. Again it must be emphasised that Australia’s engagement with Asia is seen as a way of controlling and minimising such anarchy and change and so ensuring regional stability. An important part of that engagement with Asia is defence exports. The role that defence exports would or could play in ‘controlling’ ‘ethnic and national tensions’, ‘disappointed aspirations for prosperity’ or ‘political
change’ are frightening to say the least. This highlights another Australian Realist tradition, namely the paranoid search for ‘threats’. Threats are seen in the economic development of Asia, in the withdrawal of United States power, in political change, in the role of external powers in the region (such as India, China, Japan), and in fact in any change to the present status quo.

The Realist emphasis on ‘power politics’ and its military dimension is very apparent in the Government’s documents, with military power seen as crucial to Australia’s engagement with the region and in gaining the region’s ‘respect’. For example:

“Australia’s strategic engagement with the region is an integral element of our national effort to make our place in the region. Our defence relationships underpin the development of closer links in other fields. Our ability to defend ourselves and contribute to regional security does much to ensure that we are respected”. (Department of Defence, 1994a:3)

and

“Our regional defence relationships contribute in a major way to stronger national links and hence provide an important basis from which wider access follows. More fundamentally, an effective national defence capacity is important for confident engagement with the region.” (Department of Defence, 1993:21)

As has been discussed previously, defence exports are seen as an important element in Australia’s military links with the region. The possibility that Australia’s increased military ‘engagement’ with Asia could alarm some Asian countries does not seem to have been countenanced. Indeed, while previously Asia has generally ignored Australia’s substantial (in regional terms) regional power projection
capabilities, and any perceived threat they posed, Australia is at present trumpeting these capabilities at every opportunity; so making them harder for regional countries to ignore.

In the past Australian security policy-makers have paid too little attention to the range of non-military problems within Australia’s region. These include tensions created by political repression and the suppression of human rights, poverty, environmental destruction and indebtedness. In many of these cases the traditional security approaches adopted by Australia will only make these problems worse (Cheeseman and McKinley, 1990:30). The ‘Defending Australia 1994’ and ‘Strategic Review 1993’ documents make little if any reference to these problems and Australia’s policy of promoting defence exports to the region will only exacerbate them.

Another core concern of Australian Realists, discussed in Chapter 3, is that of alliances. Alliance relationships, especially with the United States, are seen as being of crucial importance to Australia’s security (George, 1992:38-39; Cheeseman and McKinley, 1990). The Government’s 1994 Defence White Paper states that:

“Alliances, regional links and global security arrangements enhance our security environment by making attacks on Australia less likely and increasing the prospect of support from others.” (Department of Defence, 1994a:3)

and ‘Strategic Review 1993’ states:

“Close defence relations with the United States remain important for our national strategic posture. The continuation of a US strategic role in the Asia-Pacific region and the maintenance of our alliance with the United
States are of major importance for the future security of Australia and the region”. (Department of Defence, 1993:35)

Australia, as in the past, seems willing to fight the wars of our allies. ‘Strategic Review 1993’ indicated that when Australia responds to United States requests for military assistance alliance considerations will be taken into account (Department of Defence, 1993:17). This emphasis on the United States alliance has been reflected in Australia’s increasing military dependence on the United States. Over the past few years Australia’s major capital equipment projects have placed increasing pressure on the defence budget. The Government’s solution has been to run down Australia’s stocks of munitions and spare parts and replace them with the hope that the U.S. will supply them in a defence emergency.

The 1994 White Paper indicated a change in emphasis in Australia’s alliance relationships. While previously alliances had involved other Western countries it stated that:

“The countries of the region, with their growing economic and technological strength, their expanding military capabilities and their heightened self-reliance, will become increasingly valuable strategic partners for Australia over the period covered by the White Paper.” (Department of Defence, 1994a:86)

This change of emphasis became more apparent in late 1995 when Australia signed a security treaty with Indonesia. The signing of this security treaty emphasised the importance the Australian Government and defence and foreign policy making
community placed on military links with Indonesia and the region. However, far from being seen as a ‘new’ development or radical change in Australia’s defence and foreign policy the treaty with Indonesia should be seen in the context of Australia’s traditional policy emphasis of alliances and finding ‘great and powerful friends’.

Australia’s defence treaty with Indonesia highlighted another Australian Realist tradition; namely a propensity to commit to other people’s wars. The treaty raises the very real prospect that Australia could send forces to help Indonesia in any conflict Indonesia might become involved in. Indeed, Australia’s whole policy of increasing defence links with Asia is likely to increase the probability of Australia being dragged into, or more likely barging into, any regional conflict. It should be emphasised that Indonesia is a country with a number of territorial disputes, especially with China, which could conceivably lead to armed conflict. Australia’s rush to participate in the Gulf War also raises the prospect of Australian involvement in any United States-led force to defend either South Korea or Taiwan.

As was mentioned in Chapter 4, economic rationalism has had an important influence on Australian Government policy. During the early 1980s neo-Realism, with its emphasis on neo-classical economic models, came to increasingly influence the security policy-making process. The importance of the economic motive in Australian security policy was recently emphasised by the former Minister for Foreign Affairs and Trade, Gareth Evans.
"the wide-ranging economic and strategic linkages that Australia has nurtured with East Asia are an important strategic asset in expanding our economic presence in East Asia. It demonstrates Australia's standing as an East Asian hemisphere nation." (Evans, 1995:1)

Defence exports have been seen as part of the Government's overall policy of making industry more export oriented. A representative from the Department of Industry, Technology and Regional Development (DITARD) stated at the Parliamentary inquiry into Defence Exports that:

"Fundamentally, DITARD thinks that exports in general are the key to economic success of the country. The direction of industry policy over the last 10 years has been to open up Australia to the world economy in terms of increasing import penetration and encouraging a far greater export orientation. To this degree we have significantly lower tariffs. We are now concentrating industry policy more on the positive aspects of competition such as research and development, finance availability, export assistance, co-operation and networking.

Within this context, defence exports have potential to play a significant role, and to that extent we favour focusing attention on defence exports to see how we can improve that without compromising other positions." (McKeon, 1994:99-100)

In later evidence that representative argued that defence export controls should not be so onerous as to impede the development of defence export industries; and that such controls should be constantly reviewed to make such controls less costly and less onerous to industry. The representative also stated that DITARD does not concern itself with the "other aspects" of defence export policy (McKeon, 1994:99,
With this being the case it is obvious that DITARD is another source of pro-defence export pressure on the Government.

The Department of Foreign Affairs and Trade also places a high priority on the economic factors behind defence exports, particularly in terms of Australia’s engagement with Asia (Department of Foreign Affairs and Trade, 1994:S265). The Security policy making community, along with most other elements of the bureaucracy and government, see greater global economic integration, increased trade, lower tariffs, more open markets, and an increased role for ‘market forces’, as inevitably leading to political, social and economic ‘development’ and ‘prosperity’ for all. Defence exports are often seen as a means of facilitating such processes and aiding the development of an ‘export culture’; their other consequences ignored. Indeed, the possible negative consequences of the above ‘economic’ measures on groups such as the poor are ignored, as are their consequences for political and human rights. ‘Development’ and ‘free trade’ have become ends in themselves and projected as ‘universal goods’.

As discussed in Chapter 3 another Realist characteristic is its pro-male bias. Australia’s defence export strategy does not consider the effect that defence exports could have on women; and women do not even receive a mention in the Government’s ‘Defending Australia 1994’ and ‘Strategic Review 1993’ security policy documents. Defence exports are projected in very masculine language, such as helping to maintain our regional ‘standing’. In deciding to make a concerted effort to increase Australia’s defence exports to the countries of Southeast Asia it
is unlikely that Australian policy-makers gave any consideration to the effect of increased arms sales on the women of Southeast Asia. The effects can be direct; for example increased repression of local organisations. They can also be indirect; for example if the country decides to pay for its arms purchases through setting up a Export Processing Zone which depends on cheap labour from young women. Either way the status and power relationship between men and women is tilted further in favour of the former.

The Australian Realist discipline has also ignored critics and refuses to carry out any self-analysis (George, 1992:48-50). In terms of defence-export policy this is very apparent in the failure by the security policy-making community to confront the failure of the present policy (a failure even in ‘Realist terms’) and the negative consequences of the defence export policy for Australia and the region. Indeed, those critical of Australia’s defence export policy are attacked in the Government’s security documents (see Department of Defence, 1993:74; Department of Defence, 1992a:35).

Australia’s emphasis on engagement with the region is in line with the Rationalist concerns with increasing international co-operation. During the late 1980s there was an apparent contradiction between the concepts of ‘engagement’ with the region, on the one hand, and preparing for threats ‘from’ the region in the form of escalated low level contingencies on the other; the first being a Rationalist policy implication and the second a Realist policy implication. This ‘problem’ has been ‘solved’ by the present policy of engaging with the region and emphasising external
threats 'to' the region. As with the alliance with the United States (discussed in Chapter 3) both the Realist and Rationalist strains in Australia's security community can now both promote the same policy. It should be mentioned that the Australian Rationalist tradition accepts almost all the core assumptions of the Realist tradition which have been mentioned above.

The lack of self-analysis displayed by Australia's Realist security community has been compounded by a more recent problem. This is that the university system is encouraging and authorising official error by failing to undertake its role of intellectual responsibility due to its new enthusiasm for entering the policy process (McKinley, 1995:2). The university has taken on the role of policy adviser or consultant to the Government and bureaucracy, as Michael McKinley writes:

"In some cases, ostensible university departments and/or centres are significantly funded by the very Government departments whose work they are asked to consult with. As well, these same departments are staffed (manned would be more accurate) by non-academics - which is to say, by what are essentially contract appointees from the relevant state bureaucracies ...." (McKinley, 1995:14)

Indeed, over recent years an increasing number of bureaucrats have been moving between their government jobs and fixed-term positions at the ANU. At the same time academics are increasingly being attracted to the world of consultancy for government agencies and departments (McKinley, 1995:25). Academics have also been helping politicians write their own books and manifestos (McKinley, 1995:20).
With the development of this relationship it is no surprise that the written output of such university centres and departments is not the independently minded scholarship that has traditionally been associated with the institution of the university. As McKinley writes:

"since the discursive norms and requirements of the bureaucratic and academic discourses, respectively, are so obviously opposed, perhaps to the point of mutual exclusivity, the proposition that the general work of such centres and departments is other than an inescapable repetition of the views of the bureaucracy to which they are beholden is fatuous." (McKinley, 1995:15)

The Professor of International Relations at the ANU, Andrew Mack, has written in a paper he co-authored, that for academics to have their work recognised by the security community, and to influence policy, they must accept the security community’s core assumptions (Kerr and Mack, 1994:21-22). In fact, the relevant departments and centres, and the defence and foreign policy community, are all hostile to any rigorous, theoretically critical critique being carried out (McKinley, 1995:16).

The Strategic and Defence Studies Centre (SDSC) at the Australian National University could not be regarded as a university organisation in any reasonable definition of that term. SDSC has been intimately involved in the development of new regional security policies, and has aided their implementation through ‘second track’ diplomacy which involves it conducting seminars and discussions between high-level regional government and defence officials. SDSC has refined its study
focus to reflect government priorities; namely policy relevance, regional issues, export orientation, and user-pays principles. This has developed to the extent that the weapons manufacturers Rockwell and British Aerospace provide scholarships and ‘other support’ to SDSC (McKinley, 1995:29). SDSC also receives a large proportion of its funding from the Department of Defence. This emphasises the point that:

“SDSC pursues, and obtains, external funding for its activities for purposes, and from sources, notorious for their intellectual illiberalism - the national security bureaucracy, private industry, and especially, weapons manufacturers.” (McKinley, 1995:29)

It should therefore come as no surprise that:

“The research of SDSC, the largest strategic studies centre in Australia, has been very firmly grounded in the ‘realist’ tradition. There has been little interest in theoretical elaboration and reflection .... There has been a very strong emphasis on richly detailed empirical studies and on policy prescriptions.” (Kerr and Mack, 1994:16)

The Department of International Relations at the ANU has also restructured its interests to match the Government’s priorities of ‘engagement with Asian’, regional security, and economic initiatives (McKinley, 1995:27-28).

The reason the university allows its ‘soul’ to be sold in this way is that it gains money, power and status. The consultancy work provides money to a profession which is underpaid and increasingly facing budget constraints. Its closeness to the state, with its monopoly on the institutions and legitimate use of violence, provides
the power; while the perceived status comes through being patronised by the corporate state in a corporate society (McKinley, 1995:16). The role of the university has changed from being a relatively independent institution with a moderating and sometimes critical influence on government and society, to one which is intimately linked to government and the policy process and having limited independence. This can only be seen as beneficial if one accepts that "the role of ideas in modern, economically-rationalist societies ... (i)creasingly ... reflect the application and extension of New Right, supply-side, entrepreneurial economics". (McKinley, 1995:17)

One end result of this 'Realist' dominance of the security discourse, and the connivance of universities with that discourse, is the unreflective nature of the Australian security community. A recent example of this is that while the Government and security bureaucracy have been propounding the view that building links with South East Asia will make Australia more secure neither has actually explained how this will be so. Other important concepts such as 'co-operative security', 'common security', and 'preventive diplomacy' have also received little attention from Australia's security policy making community (Kerr and Mack, 1994:5, 7). Military issues dominate Australian published work on the region. Little has been published, nor research done, on issues like uneven economic change, refugee flows, environmental degradation and human rights (Kerr and Mack, 1994:14-15). Australia's security research discourse has little...
interest in broad ideas or values and has rightly been described as “one of infatuation with detail and the immediate.” (McKinley, 1995:32)

In terms of defence export policy, in the ‘Realist’ environment described above issues such as human rights have little chance when weighed against the well-being and sovereignty of the state (Cheeseman, 1996:18-19). Despite the fine-sounding rhetoric, defence export controls serve very different purposes to those they purport to serve. As Cheeseman writes:

“(T)hey are not so much aimed at controlling or preventing the spread of weapons ... or, even, making the international arms trade more transparent. They serve instead a range of political functions: something to point to when trumpeting the country’s policies in international arms control forums; a means of satisfying or being seen to satisfy concerns raised by human rights and other powerful groups within the seller’s own community; and a filter which helps alert the country’s leaders and their advisers to potential problems associated with specific sales.” (Cheeseman, 1996:18-19)

It is in this light that DFATs reluctance to become involved in the process of defence exports controls can be explained. Clearly this reluctance favours maintaining the status quo (Cheeseman, 1996:20).

In March 1994 Senator Ray, the Minister for Defence, issued revised arms export control guidelines which drew on the Price Reports recommendations and further increased the weight given to economic and industrial factors (Cheeseman, 1996:11). The new guidelines stated that they would:
“not preclude the supply of arms to a friend or ally of Australia which is in conflict”

and that:

“where exports contribute to Australia’s regional relations and assist interoperability with friends and allies they will be considered favourably.”

(Quoted in Cheeseman, 1996:11)

Future decisions on defence exports are therefore likely to place ‘friendship’ as a higher priority than either the potential for, or even the existence of, conflict. Add to this the continuing dominance of the Department of Defence in SIDCDE (Standing Inter-Departmental Committee on Defence Exports) and it is obvious where the emphasis lies (Cheeseman, 1996:11).

Other changes of concern were that defence exports resulting from collaborative projects and joint ventures with other countries would not be prohibited on private trafficking grounds. Further, defence exports produced in Australia and sent as gifts under the Defence Cooperation Program, or to associated companies in countries which have similar export controls, would not require end-user certificates. A final change was that a licence could be granted for a whole category of defence and related goods (Cheeseman, 1996:11) These changes had the effect of reducing the controls placed on defence exports.
In conclusion, the fundamental reason that the Government refused to significantly change its defence export policy appears to be that it, and the security community, are dominated by Realism and neo-Realism. Realism/neo-Realism emphasises values like the central and dominant role of the State, the need for unified States, the dominance of international over domestic politics, elitism, stability and order, modernism, universalism and economic rationalism, alliances and threats; all of which encourage the defence export push. In addition, Realism/neo-Realism closes off the discourse to dissent and self analysis. It is for these fundamental reasons that the protests, critiques, and obvious policy failures, of Australia's defence export policy have been ignored by successive governments.
CONCLUSION

During the mid-1980s the Australian Government changed Australia’s defence export policy from one which restricted defence export, to one which encouraged them. Part of the reason for this change can be found in Australia’s move towards a more self-reliant defence posture, with its associated emphasis on increased defence industry. The other factor which promoted this change was the rise of neo-Realism as the dominant discourse within the Government and parts of the security community. The rise of neo-Realism can also be seen in the economic-rationalist policies pursued by the Government. This neo-Realism built on the traditional Realism of Australia’s security policy-making community. By the early 1990s the chief justification for Australia’s defence export policy had become its perceived role in facilitating Australia’s engagement with Asia. This engagement with Asia was largely prompted by the perceived importance of Asia to Australia economically.

The late 1980s and early 1990s saw both the manifest failure of the Australian Government’s defence export policy along with significant critiques and public protest regarding that policy. By the mid-1990s it was clear that the Government had ignored these failures, critiques, and protests, and was pursuing an almost unchanged course regarding its defence export policy. The only apparent change was a very slight change in rhetoric.
The 1980s saw the Australian Government change Australia's defence export policy from one of constraint to one of promotion. This change, however, did not have the expected result of substantially increasing defence exports and the sustainability of Australian defence industry seemed doubtful. Despite this failure, and the public protests concerning defence exports, the Australian Government was determined to pursue its policy of promoting defence exports.

Most of the world's arms producers face problems of over-capacity and shrinking demand, circumstances for which many see defence exports as the solution. However, at present, demand for defence exports is low and there is a glut of surplus weaponry on the export market. These pressures have on numerous occasions led to the subversion of defence export controls, even in the neutral countries of Europe with their strict defence export controls. Many countries have faced similar problems to those faced by Australia and have adopted similar solutions, namely vigorously promoting defence exports.

The key factor behind Australia's defence export policy is the defence and foreign policy-making culture in which it is made; a culture dominated by the Realist/neo-Realist theory of the world. Australian Realists/neo-Realists hold various assumptions about International Relations and Australia's place in the world. These include an emphasis on the role of sovereign states, the importance of State unity, the dominance of international over domestic politics, the importance of military power and economics, the importance of alliances, elitism, the need for stability
and order, a de-emphasis of non-Government actors and a tradition of discouraging self-analysis or self-criticism.

Two important outcomes of these Realist/neo-Realist values are the way in which Australia’s engagement with Asia is perceived, both in regard to Asia’s vital role in Australia’s economic future, and in the importance placed on military links with Asia; and in the emphasis placed on the alliance with the United States. The alliance with the United States is seen as vital for the support of Australia’s high-technology defence force, and is also seen as giving Australia greater status within the region. Australia’s engagement with Asia is seen as vital for Australia’s economic future. The Australian Government and policy decision makers believe that if this engagement is to succeed it must involve, and indeed be led by, strong military ties between Australia and the region. These ties include defence exports and Defence Cooperation programs. As mentioned in Chapter 3 these policies have meant some discord between Realist and Rationalist points of view. However, the Realist claim that the United States alliance furthers Australia’s engagement with Asia has met Rationalist concerns while the Rationalists idea of engaging with Asia against security concerns from outside the region has kept the Realists happy.

During the 1980s and 1990s the public sector under the Labor Government underwent radical change; including the privatisation or corporatisation of various public sector bodies, and almost continuous cost cutting and structural reorganisations. A new managerialism had been introduced into the public service emphasising ‘productivity’ at the expense of consultation, review, and analysis.
During the 1980s and 1990s free market theories dominated the thinking of governments, the public service, the media, and the public arena. These policies were also integrally linked to Australia’s drive to integrate economically with Asia.

These changes to the public sector are supported by values which are widely held within Australia’s political elite, the media, and business circles, and are rarely criticised or even acknowledged in mainstream economic and political discourse. They are underpinned by a particular conception of the nature of western capitalism. The cuts to the public sector, welfare payments, and real wages were justified as being necessary for a healthy capitalist economy which would benefit all sectors of Australian society, whether business, labor or welfare recipients (Johnson, 1992:63).

While the policy of self-reliance was the initial reason for the change in Australia’s defence export policy, Australia’s engagement with Asia has increasingly become its driving force. Australia’s policy of defence self-reliance led to the emphasis on developing our defence industries. However, the defence-in-depth strategy and its associated high-technology force structure meant that local requirements for equipment were too small to support local production, thus necessitating defence exports. It was the ‘push’ into Asia that gave a further boost to this strategy just when it seemed to be waning and, by the 1990s, the push into Asia had become the driving force behind Australia’s defence export policy. This was to such an extent that the initial rationale of defence self-reliance seemed to have been largely
forgotten. The rationale behind this push into Asia was Australia's perceived need to integrate economically with Asia.

The late 1980s and 1990s saw Australia's defence export policy challenged by academics, bureaucrats, and by various forms of public protest. These challenges ranged from those set firmly within the Realist-Rationalist framework of the security policy-making community to those which challenged many of the values of that Realist-Rationalist policy framework. An important event was the November 1991 AIDEX '91 protests in Canberra which, when combined with revelations about Australian defence exports around the same time, focused considerable public attention and pressure on the Government's defence export policy. There were also over the late-1980s and early-1990s a number of less radical critiques of the Government's policy from academics, researchers and bureaucrats.

The Government responded to the public protests by agreeing to a Parliamentary inquiry into its defence export policy. This report merely reaffirmed the Government's policy objectives and totally failed to confront central concerns regarding the failure of the defence export policy and human rights. This forced a number of Senators to write an Additional Report which critiqued the Government's policy and dealt with issues such as human rights.

The Government responded to the failure of its defence export policy by initiating an inquiry by Roger Price, the Parliamentary Secretary to the Minister for Defence, into Defence Policy and Industry. The Price Report failed to confront the serious issues concerning defence industry and defence exports; and instead, merely
reaffirmed the Government’s previous policy of viewing defence exports as the saviour of defence industry. The report reaffirmed the Government’s view that the Southeast Asian market would rescue the current poor defence export performance and that defence exports to Southeast Asia would further Australia’s foreign policy of engagement with Asia. The Department of Defence was also to play a greater role in the promotion of defence exports to the region.

The Government’s future policy direction was made clear in its ‘Strategic Review 1993’ and its ‘Defending Australia 1994’ Defence White Paper. ‘Strategic Review 1993’ did not mark a radical departure from previous government policy, but rather reaffirmed the Government’s policies. It argued, as had the Government, for the encouragement of defence exports and their use to further the policy of engagement with Asia and implicitly implied that concerns such as internal political repression or human rights abuses should not effect ‘long-term’ defence export relationships. None of the major problems with the defence export policy were mentioned.

The 1994 White Paper ‘Defending Australia 1994’ reaffirmed the Government’s previous policies of encouraging defence exports in order to support the local defence industry and of linking defence exports to its policy of engagement with Asia. None of the serious flaws in these policies, which I have discussed earlier, were analysed or even mentioned. Nor were issues like human rights, inequality, or political repression mentioned. The only change from previous policy documents was a slight change in rhetoric, but not substance, concerning defence export
controls. The Government continued to see the Southeast Asian market as the saviour for defence exports despite evidence to the contrary.

The Government did not change its policy concerning defence exports despite the obvious failure of that policy, the public protests, and academic and bureaucratic critiques. No changes were made to the defence export control guidelines. The only apparent effect of the concerns expressed over defence exports was a slight change in the Government's rhetoric; but not the substance of its policy.

The fundamental reasons why the Government did not significantly change its defence export policy, despite the failures, protests and critiques, was the dominance of Realist theory within the Government and security community. Realism emphasises values such as the central and dominant role of the State, the need for unified States, the dominance of international over domestic politics, elitism, the need for stability and order, modernism, universalism and economic rationalism, alliances and threats, all of which encourage the defence export push. Additionally, Realism closes off the discourse to dissent and self analysis. As mentioned in Chapter 8 the economic pressures on universities and their staff, along with the dominance of Department of Defence and defence industry funded 'research centres', makes critical debate on security issues less likely. These pressures merely reinforce the unreflective nature of the Australian security community. It is for these fundamental reasons that the protests, critiques, and obvious policy failures, of Australia's defence export policy have been ignored.

Australia's policies of Self-Reliance and Engagement with Asia are bound by the
Realist paradigm which dominates Australia’s Government and the security community. The impact of neo-Realism has been to emphasis the economic element of Australia’s engagement with Asia and the need for cost recovery in the public sector, including defence industry. Defence exports are seen as playing an important part in developing military, economic, and political links with Asia, as well as being a way to increase the sustainability of defence industry and limit the subsidy required from the Government. Neither Realism nor neo-Realism accepts the legitimacy of popular public participation in the decision-making process, nor do they accept the need for critical self-analysis. The dominance of Realism and neo-Realism in the Government and security community is illustrated by Australia’s defence export policy. The defence export policy has failed, been criticised by strategic analysts, attracted public protests, and violated Australia’s often-stated concerns for human rights. Despite this the Australian Government’s defence export policy remains virtually unchanged in both practice and detail.

Within the Government and bureaucracy the dominance of Realism and neo-Realism makes it highly unlikely that Australia’s defence export policy will become more restrictive. Indeed, the ideological pressures evident in the push for privatisation and deregulation of Australian industry, along with the unsustainable nature of Australia’s present defence industry structure, are likely to see continued pressure to weaken defence export controls. As well, the increasing funding pressure on universities is likely to see a reduction in the already small number of researchers prepared to critique and openly criticise Australia’s defence export
policy. The change of government in 1996 is unlikely to significantly alter these conclusions.


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