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MIDDLE POWER DREAMING

Australia in World Affairs 2006–2010

EDITED BY
JAMES COTTON & JOHN RAVENHILL

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Preface

This volume is the eleventh in a series initiated and sponsored by the Australi Institute of International Affairs, which has reviewed and analysed Australian forei policy from 1950.

It is intended to provide a review of the most significant features of Australi foreign policy within its chosen time frame, the past five years. As with previo volumes in this series, in addition to commissioning chapters on Australia's maj bilateral relationships and central questions in policy-making and execution, t editors have also included coverage of emerging or developing issues: in this volun these chapters cover relations with Africa and with India, and innovations in t management of policy-making.

The editors would like to thank the Australian Institute of International Affairs, executive director Melissa Conley Tyler, and Institute Research Chairs Tony Milner a Shirley Scott for entrusting this work for a fourth time to our hands. As on previo occasions, the Institute supported the workshop at which drafts of the papers we presented and facilitated the production of the text. Oxford University Press render the material into book form with their accustomed skill and dispatch. Madeleine Da produced the complex and highly useful index.

The Carrington Inn, Bungendore, once again provided the perfect venue f the writers' workshop, convened over the weekend of 25–26 September 2010; t participants were particularly privileged to have the company of Andrew Shearer of t Lowy Institute for International Policy, and Trevor Wilson of the Australian Natior University (ANU), who subjected each piece to searching commentary and critique.

Institutional support was crucial for this volume, as with previous volumes. T Department of International Relations at the ANU and its head, Bill Tow, support the work in many ways. The department's Publications Editor, Mary-Louise Hick devoted hours of her time to skilful copy-editing and the preparation of the consolidat list of references (a valuable resource on contemporary Australian foreign policy in own right). And a former head of the department (and contributor to past books in t series), the late Professor JDB (Bruce) Miller, is to be thanked for giving his valuable a considered views on the project and especially for his suggestion that the term 'midc power' should definitely be in the title. In addition, it should be noted that James Cott received the support of the University of New South Wales at the Australian Defen Force Academy during the preparation of this volume. He would also like to tha the Woodrow Wilson International Center for Scholars, at Washington, DC, and t

CHAPTER 14

Defence and Security

Hugh White

INTRODUCTION

At the start of 2006, two schools of thought contended over the future of Australia's defence and strategic policy. On one side stood those who believed that Australia's principal strategic risks and challenges over the following decades would come from instability on the margins of the international order—from weak and failing states, and from non-state actors, especially terrorists. On the other side stood those who believed that bigger and more important strategic concerns arose from the possibility that the core of the international order would be disrupted by the stresses flowing from changing economic relativities. This was especially true in Asia, as China and other Asian states' economies grew.

This was no abstract debate about the nature of the international system: these very different strategic visions had large implications for practical questions about the kinds of military operations that future Australian governments might wish to undertake, and about the capabilities needed in the Australian Defence Force (ADF). The debate was not new, nor was it limited to Australia. It had begun in Australia and elsewhere in the mid-1990s. Major power relations had stabilised after the Cold War, while peacekeeping and other types of stabilisation operations surged. Many people believed that these trends marked a deep shift in the nature of strategic risk from traditional inter-state conflict to sub-state, trans-state and non-state threats. For Australians, this belief seemed confirmed by the experience of Timor-Leste in 1999 and by broader concerns about internal weakness and state failure among small island neighbours, as well as by the terrorist attacks of 11 September 2001, the Bali bombings and the war on terror.

Defence 2000: Our Future Defence Force, the White Paper that was prepared after the 1999 Timor-Leste crisis but before 11 September 2001, had already emphasised the risks

posed by instability among Australia's weak and potentially failing near neighb and identified responses to such risks as among the ADF's core roles. It also affir that Australia should be able to contribute small forces to US- or UN-led coal operations in relatively remote parts of the world like the Middle East. Howev retained a strong focus on conventional inter-state strategic threats. Moreover, v it provided a new and more expansive conception of Australia's strategic interest objectives, which went well beyond the exclusive preoccupation with the defen the continent that had shaped Australia's defence policy since the early 1970s, the conception remained grounded in geography and retained a strong focus on Austr region in that it presented Australia's strategic interests and objectives as a hierarc concentric circles centred on the continent (DOD 2000).

In the years after the 11 September attacks, both the 2000 White Paper's f on traditional inter-state strategic issues and its geographically centred concepti Australia's strategic and defence priorities were vigorously contested. Critics ar that the focus of Australian strategic policy needed to shift to non-state security i and that as these issues were global in nature, the strong regional focus of *D 2000* was anachronistic. In an era of global threats, it was argued, Australia's stra interests were as strongly engaged in the Middle East as they were in Southeast The discussion about these issues naturally reflected traditional defence policy deb The choice between focus on state and non-state security risks became a debate a priority for land forces over air and naval forces.

The debate between regional and global conceptions of Australia's stra interests inevitably slipped into the traditional contests between 'expeditionary' v 'continental' schools of Australian strategic policy, and between priority for coal contributions versus independent operations. The result was a highly polarised in many ways misconceived debate between, on the one hand, those who argue a policy emphasising the development of land forces to support US-led opera globally against non-state threats, especially terrorism, and on the other, t who argued to retain priority for air and naval forces for independent operatio Australia's region against more traditional state-based threats. Senator Robert Minister for Defence from 2001 until 2006, was prominent among those who ar for the first of these visions, while John Howard remained broadly comfortable the policy of the 2000 White Paper, as did the Labor Opposition. The contest rema unresolved at the start of 2006, and it continued to frame much of what happen the field of strategic and defence policy over the next five years.

There were strong arguments to be made on both sides of the debate. Those argued for giving priority to the new threats of terrorism and state failure could p convincingly to current reality: Australia's forces were then engaged in substa stabilisation operations in Iraq, Afghanistan and Solomon Islands, and a n enlarged recommitment was soon to be made in Timor-Leste. It was hard to den importance of such operations for Australia's future defence policy. It was also

that for several decades East and Southeast Asia had been remarkably free of major inter-state conflicts, and it seemed Australia had not faced a direct military threat in living memory. As long as the United States remained the primary power in Asia, this seemed unlikely to change.

On the other hand, it was already clear that the rapid pace and sheer scale of economic growth in China and in other emerging countries was changing power relativities among the world's strongest states. This raised questions about their future relationships, and increased the likelihood of major destabilising changes in the international order, especially in Asia, where the power shift was most obviously concentrated. It therefore seemed unwise to assume that the stable, US-led order that had kept Asia peaceful for so long would necessarily last much longer.

By 2010 the Rudd government had unambiguously declared its adherence to the more traditional, state-focused, geographically centred conception of Australian defence policy. It had become obvious that the shifting power balance in Asia had much larger long-term implications for Australia's strategic interests and objectives than the post–11 September threat of terrorism or other globalised non-state threats. In particular the Rudd government's Defence White Paper, *Defending Australia in the Asia Pacific Century: Force 2030*, published in May 2009, reaffirmed the traditional focus of Australian defence policy on preparation for conventional conflict between states. It identified China's rise and its implications for US primacy as marking a fundamental shift in Asia's, and hence Australia's, strategic circumstances, and the biggest future challenge to regional order and Australian security (DOD 2009a).

This growing focus on China's rise and the recognition of its implications for Asia's security thus quietened, at least for a time, the arguments for a fundamental reorientation of defence policy towards non-state threats. But it raised a whole new set of questions and issues, which had hardly begun to be seriously considered, let alone effectively answered, by the end of 2010. All sides of Australia's defence debate had long assumed that US primacy would remain the unshakeable bedrock of Asian order and Australian security. By the end of the decade, this assumption no longer seemed valid; indeed the 2009 White Paper had foreshadowed (albeit in a confusingly stark but ambivalent way) the probability that within a few decades US primacy would be not just contested but also perhaps eclipsed. The implications of this tectonic transformation for Australia's strategic risks, interests and objectives, capability needs and funding priorities remained unclear. It became evident that the big strategic debates in the new decade would not be between advocates of traditional and non-traditional conceptions of security, but between different visions of how Australia should respond to the traditional strategic challenges posed by Asia's shifting power balance.

At the same time, however, Australia maintained substantial and increasingly costly operational commitments to stabilisation operations. By the end of the decade, the commitment in Afghanistan had become the first Australian combat commitment since Vietnam to inflict significant battle casualties on the ADF, even as

the strategic rationale for the operation became less and less clear. Australia's defe policy therefore became increasingly bifurcated between the immediate demands increasingly costly and contentious current operations, and the increasingly comp and unsettling questions about Australia's strategic objectives and defence prioritie the 'Asian century'.

HIGH-LEVEL STRATEGIC POLICY

The shift in the focus of Australia's defence debate began to be discernible even bef the Howard government lost office. In July 2007, the Howard government relea *Australia's National Security: A Defence Update 2007* (DOD 2007), the third of a se of Defence updates published after the 2000 White Paper, and the last substan statement on defence policy before the Coalition government was replaced by La under Kevin Rudd. Like its two predecessors (see DOD 2003, 2005), the *Defence Up 2007* emphasised terrorism and other 'globalised' threats as key security challen (DOD 2007: 14), but the conceptual framework it provided for determining Austral defence priorities was very firmly focused on Australia's immediate neighbourho It reaffirmed in traditional terms the self-reliant defence of the continent, and identi what it called Australia's 'area of paramount defence interest', covering 'the archipel and the maritime approaches to Australia to our west, north and east, the Islands of South Pacific as far as New Zealand, our island territories and the southern waters do to Antarctica'. *Defence Update 2007* declared that this was the area 'where Australia m lead', and 'be able to deter and if necessary defeat any aggressive act against Australi our interests in that area'. These tasks constituted the highest priorities for the ADF the key focus for its capability development. Beyond the area of paramount defe interest, Australia need only 'contribute', rather than lead, and it concluded that s remote operations were a distinctly secondary priority (DOD 2007: 26–7).

Strangely enough, these passages present a more geographically limited conc of Australia's strategic objectives and priorities than the 2000 White Paper, indeed recall the narrow 'Defence of Australia' ideas of the Dibb Review and 1 Defence White Paper, with *Defence Update 2007*'s 'area of paramount defence inter reprising Paul Dibb's 'region of primary strategic interest' (Dibb 1986; DOD 19 Perhaps even more strangely, *Defence Update 2007*'s recycling of 1980s policy conce foreshadowed, as we shall see, key themes in the Rudd government's 2009 Defe White Paper. It also foreshadowed the Rudd government's ambivalent assessmen the strategic implications for Australia of China's growing power and increasir competitive relationship with the United States. It reaffirmed *Defence 2000*'s v that US predominance in Asia is fundamental to Australia's security, but implic acknowledged the pressures it faced by saying that it would remain the domin power 'at least for some decades'—a qualification that was apparently intendec

be reassuring but that in a defence policy context may not be. Likewise it expressed confidence that no 'regional power is eager to see fundamental geo-strategic change' in Asia, but also acknowledged 'an element of strategic competition' in the US–China relationship (DOD 2007: 19–20).

The importance of China's growing weight and expanding ambitions in Canberra's strategic calculations was also evident in the Howard government's final major initiative in strategic diplomacy: the signing of a Joint Declaration on Security Cooperation with Japan in March 2007. Together with the upgrading of the US–Japan–Australia Trilateral Strategic Dialogue, the bilateral agreement marked a distinct shift in the Howard government's approach to the increasingly overt strategic competition between the United States and Japan, on the one hand, and China, on the other. Hitherto Howard had sought both to downplay the risk that this competition could escalate and to avoid taking sides in it. In 2007, however, Howard shifted tack sharply, aligning himself with the United States and Japan in ways that were bound to be read as an apparent taking of sides against China. It is not clear how far this was a reaction to strategic developments in Asia and how far it was driven by the domestic imperatives and opportunities of a hard-fought election campaign against an opponent perceived to be close to China, but it gave a foretaste of the starker choices that Asia's power shifts would increasingly impose on Canberra over the next few years.

The strong continuities between the Howard government's later strategic policies and those of the new Rudd government were already evident in the 2007 election campaign. However, the two major parties differed sharply on Iraq, which might have seemed the most important strategic policy question of the day. Howard remained committed to maintaining Australia's contribution to Operation Iraqi Freedom, while Rudd promised early withdrawal. Howard appeared to hope that he could use these differences over Iraq to establish a decisive advantage over Rudd on the key issue of alliance management, as he had done with Mark Latham in the 2004 election campaign. But Rudd was a very different opponent from Latham, and 2007 was a very different time from 2004. By 2007 the invasion of Iraq was seen, even by many who had supported it both in Australia and in the United States, either as mistaken in concept or catastrophically flawed in execution. As we shall see, Howard's approach to Australia's force deployment suggested he was merely going through the motions of alliance support without real strategic conviction either of the probability or the necessity of success there. Rudd, on the other hand, was careful to avoid Latham's mistakes by emphasising his strong commitment to the alliance and the war on terror. In particular, he sought to offset his policy to withdraw from Iraq by talking up his commitment to support the US-led coalition operation in Afghanistan.

In this way, and not for the first time, partisan differences over distant deployments and the politics of the US alliance dominated the 2007 election campaign as far as defence and strategic policy were concerned, overshadowing more important fundamental similarities in approach between the parties. The Coalition's policy was

to sustain the force-development program and funding commitments that deriv from the 2000 White Paper and subsequent initiatives. Labor's policy was to do exact the same, and leave any policy innovation to a new White Paper, which it promised produce in its first term of government.

When Rudd won the election in November 2007, many expected him to take strong lead in defence and security policy as well as broader foreign policy. Rudd w not only an experienced diplomat; he was also relatively well informed on defen and strategic policy questions, with a better grasp of these aspects of his new j than any of his predecessors since Malcolm Fraser. Rudd in Opposition had promis a broad, inclusive approach to national security, viewing it as a comprehensi concept encompassing not just traditional security concerns but the whole gam of threats to Australian society. Little came of this in government, however. A hig profile 'National Security Statement' turned out to be nothing more than a spee long on generalities and short on policy (Rudd 2008i), and the establishment of ne bureaucratic structures seemed to do little to change the way policy was developed a implemented. Terrorism, which had been such a major security preoccupation und the Howard government, slipped back to a more moderate and realistic place on t national security agenda, reflected in a generally moderately phrased White Paper terrorism in February 2010 (DPM&C 2010b). Overall, Rudd in government maintain a strongly traditional approach to security policy.

Rudd moved swiftly to implement the two key campaign commitments in defen by withdrawing Australian forces from Iraq and, early in 2008, commissioning a ne Defence White Paper. The task of developing the new policy was entrusted to t Department of Defence, supported by a public consultation program and a panel expert external advisers. The plan was to publish the document before the end of 20C This proved to be a little ambitious, in part because it was decided that the White Pap should encompass not just a review of the core strategic policy questions—defini strategic objectives, setting capability priorities and fixing the funding trajectory- but also what was intended to be a major overhaul of Defence administration. A lar number of what were called 'Companion Reviews' were undertaken into almost eve aspect of the management of the Department of Defence and the delivery of capabili The aim was to inform major reforms that would markedly increase the Defen organisation's efficiency.

It quickly became apparent that Minister for Defence Joel Fitzgibbon would n be taking a substantial role in the development of defence policy. His credentials a capacities were slender, and Rudd's decision to appoint him to the defence portfol was widely thought to show that he planned to play the leading role in defence poli himself. This indeed proved to be true in defence, as in most other portfolios duri Rudd's brief and troubled prime ministership; but as in other portfolios, he proved incapable of the sustained attention required for detailed policy development as he w of delegating it effectively to others. For defence policy, the result was a document th

raised important new issues but failed to explore them coherently, let alone provide clear policy responses to them.

Rudd foreshadowed the key strategic issues and policy themes for the White Paper in a major speech delivered to an RSL (Returned and Services League) conference in Townsville in September 2008. His core message was stark and bluntly expressed: China's growing economy was transforming Asia's strategic balance and raising new strategic risks for Australia, which in turn required expanded military capabilities and a major overhaul of Australia's strategic objectives. He said that on some measures, China's gross domestic product (GDP) could overtake the United States' by 2020, and that as China's economic power grew, so too would its strategic weight, especially its maritime capabilities. To protect Australia and its interests from what Rudd implied was the threat posed by these developments, Australia would need to expand its own naval capabilities (Rudd 2008e). These messages were reinforced the next morning when Rudd held a press conference on the docks in Townsville and said that Australia had to give higher priority to the defence of our seaborne trade (Rudd 2008l).

These became the key themes of *Defending Australia in the Asia Pacific Century: Force 2030*, which was launched by Rudd on 2 May 2009 aboard a naval ship at the Royal Australian Navy's fleet base in Sydney Harbour. The new White Paper had six main elements. First, it continued the trend evident under Howard by unambiguously focusing Australian defence policy on Australia's region and on conventional military threats, and it played down rather starkly the concerns about globalised non-conventional threats like terrorism, which had commanded so much attention earlier in the decade (DOD 2009a: 22, para 2.19). Second, it identified China's rise as the key source of uncertainty and potential threat, reiterating Rudd's Townsville prediction that China could overtake the United States economically as early as 2020, and acknowledging the strategic implications of such a major power shift (DOD 2009a: 28, paras 3.17–3.19; 34, para 4.23). Third, it retained *Defence 2000*'s 'concentric circles' conception of Australia's strategic interests and objectives, but with changes that took it back some way towards the narrower thinking of the 1980s—for example, in the definition of a 'primary operating environment', which reprised the 1987 White Paper's 'Region of Primary Strategic Interest' (DOD 2009a: 41–5, 51, para 6.38; White 2009b). Fourth, it preserved unchanged the force-development program left by the Howard government, limiting significant new proposals to the announcement of long-term intentions to double the size of the submarine fleet from six to 12 and replace the small ANZAC ships with much larger air-warfare destroyers (DOD 2009a: 70–86). It appeared that neither of these proposals would affect the capabilities of the ADF until the 2030s at the earliest. Fifth, it promised to sustain the Howard government's defence spending trajectory of 3 per cent per annum real growth until 2018, and extended it by promising increases of 2.2 per cent from 2018 to 2030 (DOD 2009a: 137). Finally, *Force 2030* announced a strategic reform program of efficiency measures intended to save A$20 billion over ten years.

Force 2030, as the 2009 White Paper came to be known, did not prove to be effective exercise in policy-making. It placed China's rise and its implications for Asi order at the top of Australia's defence policy agenda, and this issue was very importa but it failed to address coherently the host of issues and questions that flowed frc China's rise. On many key issues it was muddled and even internally contradictory, a it failed to engage others effectively at all.

First, and most importantly, *Force 2030* did not reach an unambiguous conclusi about the most fundamental question raised by China's rise: did it threaten the primacy that had been so central to Asia's stability and Australia's security over t previous four decades? As we have seen, *Force 2030* recognised that China's grow challenged the United States' place as the world's richest state, and at several plac identified the strategic implications of this shift in economic power (DOD 200 32–3, paras 4.13, 4.19; 28, para 3.18; 49, para 6.27). These passages suggested tl Australia faced a major and relatively early revolution in strategic circumstances a defence needs. But elsewhere, *Force 2030* sounded a very different note. It assu Australians that any change in major power relations in Asia was 'currently unlike because no country would have the capacity to challenge US global primacy over t period covered by the White Paper (DOD 2009a: 28, para 3.17; 32, paras 4.14, 4.1 Disentangling *Force 2030*'s message on this and other issues was made harder by t document's untidy structure: statements on the same issue were sprinkled in differ places throughout the document. The most natural interpretation of the contradicte propositions offered in *Force 2030* was that China's rise posed a profound challenge US primacy in Asia, with fundamental implications for Australia's strategic situati but that nothing much would change until after 2030—the paper's time horizon—a that it therefore need have no major impact on defence policy and force-developm priorities in the meantime. At the same time, however, many statements suggested tl Australia did need to take action soon to respond to a growing threat from China.

Second, *Force 2030* was ambivalent about China's intentions and the legitimacy its growing military capabilities. In one paragraph, it suggested that it was legitim for China to seek greater strategic reach as its economic power grew; in the followi paragraph it endorsed concerns among China's neighbours if China sought capacity to project power beyond Taiwan (DOD 2009a: 34, paras 4.26, 4.27). Likewi *Force 2030* was muddled about whether Australia needed to develop forces that co independently defend Australia against the forces of a major Asian power, or whetl it could continue to rely on the United States for that. In one passage, it sugges that Australia should be able to defend itself against a major power operating in approaches 'except in the case of nuclear attack' (DOD 2009a: 65). In others, opposite impression was given (DOD 2009a: 50, para 6.32).

Third, *Force 2030*, like previous White Papers, did not explain how Austral armed forces might best be used to achieve the strategic objectives it had so sketch described. It gave priority to maritime operations, with particular emphasis on

control and air superiority in Australia's primary operational environment (DOD 2009a: 88, para 10.9). But it did not offer any sustained analysis of these priorities. For example, the emphasis on sea control was not supported by any explanation of why sea control, rather than the much simpler and cheaper option of sea denial, was needed, how it could be achieved against a capable adversary, how much the necessary capabilities would cost, and what the chances of success were against the kinds of forces that credible adversaries might be able to bring to bear over coming decades. Sea control was desirable, but *Force 2030* seemed simply to assume that it was a necessary, achievable and affordable operational option for Australia over coming decades, when the warnings elsewhere in the White Paper about the growth of regional maritime capabilities raised real questions about whether that was even true when it was written, let alone whether it would remain true for the next few decades.

Fourth, while the White Paper was strikingly conservative in its force-structure proposals, there were a few prominent and puzzling exceptions—a handful of major proposals for longer-term capability investments that were set down without compelling explanation. The most eye-catching was the proposal to double the size of the submarine fleet from six to 12 (DOD 2009a: 70, para 9.3). More significant was the proposal to replace the ANZAC ships with eight specialist anti-submarine warfare ships—which were apparently intended to be comparable to the Air Warfare Destroyers (AWDs) in scale and sophistication—and to replace the current class of patrol boats and other minor vessels with larger and more capable offshore combatant vessels (DOD 2009a: 71–3, paras 9.13, 9.20). This would constitute a major shift in investment priorities towards relatively large and expensive surface ships, as well as a major increase in investment in submarines. It was not apparent what would be forgone to fund these higher priorities within what was, as we will see, a steady defence funding trajectory, but it was evident that none of these very ambitious schemes would start costing money for well over a decade, so the fiscal implications could safely be ignored. By the same token, no new capabilities would become available for a very long time. For example, while the White Paper gave no details, it appeared that the submarine fleet would only start to grow after the six *Collins* class submarines had been replaced with new boats. Hence Australia's submarine fleet would not exceed six until the mid-2030s, and would not reach 12 until the mid-2040s. In other words, where the White Paper went beyond the Howard government's force-development plans, it was engaging in long-term speculation rather than concrete decision-making.

Fifth, *Force 2030* was silent on the demands on the ADF for stabilisation operations, and on the consequent implications for the army's capabilities considering the high demands that such operations inevitably make on land forces. This was curious: not only was the ADF involved in substantial and protracted stabilisation operations both in Australia's near neighbourhood and in Afghanistan, but also, as we have seen, the priority of such operations had been prominent in defence debates for over a decade. Notwithstanding Afghanistan, the White Paper gave a low priority to contributions

to coalition operations beyond the Asia–Pacific (DOD 2009a: 56, paras 7.19–7.2 Moreover, in a striking passage, it cautioned against contributing forces to coaliti operations simply to cultivate the US alliance: 'we must never put ourselves in a positi where the price of our own security is a requirement to put Australian troops at risk distant theatres of war where we have no direct interests at stake' (DOD 2009a: 47, pa 6.15). Further, it somewhat downplayed the role of the ADF in supporting stability Australia's immediate neighbourhood (DOD 2009a: 54, paras 7.10–7.12). Perhaps a result, *Force 2030* did not explore whether the plans for Australia's land forces th the Rudd government had inherited from its predecessors would be adequate in si or capability for the tasks that might be asked of it in ensuring the stability of o immediate neighbourhood.

Finally, as we will see, *Force 2030*'s financial commitments proved rather flim and short-lived. More fundamentally, the White Paper failed to address the underlyi questions of defence funding for a country attempting to retain its relative strateg weight in Asia at a time when its relative economic weight in the region would steadily falling. It relied instead on a hope that more efficiency gains within Defen could conjure the resources to keep up Australia's military strength despite its declini relative economic position. This was hardly serious strategic policy.

Responses to the document were mixed. Not surprisingly, the key message for t public seemed to be that Australia's naval forces were being strengthened to meet growing threat from China; the paper's ambivalence about China's impact on Australi strategic environment, about the need for Australia to be able to meet a Chinese thre alone, and about the timeframes in which all this might happen were all overlooke Elsewhere in Asia, Australia was seen as having staked a big strategic role for itself witho having committed the resources needed to underpin it. Beijing seemed displeased to ha been presented as a future threat, which contributed to wider problems in the relationsh with China under Rudd. Washington too was perhaps slightly miffed at *Force 2030*'s hir of US strategic eclipse; in a press conference a few days after it was released, US Secreta of State Hillary Clinton said, 'we want Australia as well as other nations to know that t United States is not ceding the Pacific to anyone' (Clinton 2009), and privately, US embas reports to Washington were sceptical about the coherence of the policy presented.

Overall, it is hard to see *Force 2030* as being an effective response to the strateg policy challenges that Australia faced at the end of the first decade of the 'Asi century'. In the nine years since the previous Defence White Paper, the implicatio of China's growing economy for its power relative to the United States', for the Unit States' place in Asia, for Asia's stability and for Australia's security had become mu starker: *Force 2030* predicted that China could actually overtake the United States on halfway through the document's 20-year time-span. And yet it failed to address a of the major questions that this epochal change in strategic circumstances posed f Australia. It did not acknowledge the major new risks that Australia now faced a result: that US primacy in Asia could become sharply contested; that in respon

Australia might find itself forced to do more to support the United States against China or more to defend itself without US support; and that these new challenges would have to be met at a time when Australia's own relative power in Asia was declining. Instead it alluded to these possibilities but hinted that they would only become possible decades from now, and hence would have little impact on current decisions and spending.

How this complacency could be reconciled with the possibility that China might overtake the United States economically as soon as 2020 is hard to imagine. *Force 2030* was very explicit in asserting that Australia should and would remain a middle power in what it coyly called the 'Asia–Pacific century' (DOD 2009a: 47, para 6.13; 93, para 11.1). But it left unexamined and unanswered all the key questions about whether Australia could indeed build and sustain the military capabilities needed to exercise the strategic weight of a middle power over coming decades.

TROUBLES AT DEFENCE

Amid this strategic confusion, Defence remained a troubled organisation throughout the years from 2006. It maintained an unenviable proclivity to get its ministers into trouble and a questionable capacity to develop and maintain the high-technology air and naval capabilities that would be needed to achieve the strategic objectives set by successive governments' defence policies. Dr Brendan Nelson took over the portfolio after Senator Hill retired in January 2006, and served until December 2007, when the Coalition lost office. His time in the portfolio was overshadowed by a series of misfortunes, of which the most embarrassing concerned the death in Iraq of an Australian soldier, Jake Kovko, and the mismanagement of the repatriation of his remains. His successor under Rudd, Fitzgibbon, also suffered from his inability to appear effectively in control of Defence, suffering especially from the mismanagement of Special Air Service soldiers' pay, and there was a sense of relief when in June 2009 he resigned from the portfolio over an issue of probity and was replaced by the more substantial Senator John Faulkner. Faulkner came to the portfolio as one of the most respected figures in Australian politics, and with long familiarity with Defence. However, he had little chance to make much impact on Defence before he announced in July 2010 that he would not serve in the ministry after the forthcoming election. Accordingly, when Prime Minister Julia Gillard came to nominate her new ministry in September 2010, she appointed Stephen Smith as Minister for Defence.

DEFENCE CAPABILITIES AND BUDGETS

It would be fair to say that from 2006 to 2010 Defence lacked a strong, committed, capable minister with firm objectives in the portfolio and enough time in the job

to make a real impact. Moreover, the occupants tended to become preoccup with the day-to-day management of operations in Iraq, Afghanistan, Timor-Le and elsewhere. The result was that relatively few major changes occurred in Department of Defence or the ADF over this period. New capabilities ordered earl including the C-17 Globemaster transport aircraft and the M1A1 Abrams tank, ca into service. The decision to invest in these capabilities was announced by the How government in 2003 following the invasion of Iraq, and their acquisition was facilita by a disciplined process to acquire equipment already in production for the Uni States without any unique Australian features or modifications. The contract for f C-17s was signed in mid-2006, and the last aircraft was delivered in January 20 Likewise the Abrams contract was signed in November 2005 and the first units beca operational in Australia in 2007. The strategic rationale for both capabilities l always been weak, and became weaker still with *Force 2030*'s decisive repudiation of Bush doctrine-inspired idea that Australia's highest-priority strategic commitme would be coalition operations supporting the United States in the Middle East. But projects at least showed that Defence could deliver military equipment on time and budget, at least when the projects were kept this simple.

The same lesson could be drawn from the only major new capability-investm decision made between 2006 and 2010: Nelson's spur-of-the-moment initiative acquire 24 F/A-18E/F Superhornet multirole combat aircraft for A$6 billion. Nels reason was to cover the risk of delays in delivery of the Joint Strike Fighter (JSF), wh was planned to replace the older F-18s and F-111s. A contract was signed in May 2 and the first aircraft were delivered in March 2010. The decision to buy the Superhor was controversial, and the circumstances in which it was made gave rise to legitim concerns about whether it had been made with due diligence, but a review of the decis by the new Labor government in 2008 concluded that the purchase should proceed, continuing problems with the JSF meant that it could well turn out to be importan sustaining Australia's air combat and strike capability over the next decade and perh beyond. The JSF project itself continued to be plagued by the kind of problems that app inescapable in the development of new combat aircraft but, as of 2010, seemed lil to deliver a capable aircraft some time late in the new decade. The Wedgetail Airbo Early Warning and Control Aircraft project overcame significant technical and proj management problems to deliver the first of a promising new capability.

Naval projects fared less well. In March 2008, the long-troubled Seasprite na helicopter project was scrapped, after the 11 contracted aircraft had been delivered. A$1 billion had been spent, apparently because of performance deficiencies to wh the government was unwilling to commit further money to remedy. Meanwhile, w began on two major naval shipbuilding projects initiated by the Howard governmen June 2007, it was announced that Tenix would be contracted to build two 27 000-to *Canberra* class LHD amphibious ships to a Spanish design and in conjunction v the Spanish shipbuilder Navantia, and by 2010 the hull of the first ship, to be ca

HMAS *Canberra*, was under construction in the Navantia yards in Spain. Also in June 2007, the government announced that the navy's new *Hobart* class AWDs would be built to the Navantia F-100 design, rather than to the modified US Arleigh Burke design preferred by the navy. Construction by the consortium led by ASC began in early 2010. A hint of early problems with the project came with reports in October 2010 that hull components built at Williamstown dockyard were defective, but the real technical and project-management challenges in the ambitious project were yet to come with the integration of the complex combat system.

By the end of 2010, it seemed likely that the success of the AWD project would become a critical test for high-technology defence industry in Australia. The success of simple, off-the-shelf overseas buys like the C-17 and F/A-18E/F Superhornet projects had clearly shown the advantages both in cost and timing of acquiring complex military systems this way, while the persistent problems with the *Collins* class submarines served as a standing reminder of the perils of domestic production. Crewing and maintenance problems meant that the Royal Australian Navy had major problems keeping even a minimal number of submarines operational in 2008 and 2009, and this perhaps inevitably affected thinking about the best way to acquire a replacement for the *Collins*. Although the first of the *Collins* class is not due to pay off until 2025, the project to replace it was initiated in 2007. *Force 2030* not only proposed that 12 new submarines would eventually be built, but also sketched ambitious parameters for their capabilities, making for large submarines of great complexity and unique Australian design. Minister Faulkner was, however, persuaded to consider the acquisition of smaller submarines built to overseas designs, and the possibility of overseas construction was also canvassed.

The long-term future of Australia's armed forces depended of course on the trajectory of defence funding. In his last two years in office, Howard retained the generous approach to defence funding that had characterised his prime ministership, especially after *Defence 2000*. He not only delivered the 2000 White Paper's commitment to 3 per cent per annum real growth in defence spending, but also provided additional money for new projects and initiatives, including most notably an additional A$6 billion over ten years for the 24 new Superhornets. This generosity no doubt reflected his commitment to a strong ADF, but it was made easier by his government's generally buoyant fiscal position thanks to a strong economy. Rudd faced tougher choices. In keeping with his election undertakings, *Force 2030* renewed and extended the commitment to 3 per cent per annum real growth out to 2018, but he found himself facing the fiscal pressures imposed by the global financial crisis (GFC), which struck in early 2009. Only two weeks after *Force 2030* was delivered, Rudd's 2009 Budget reneged on its funding provisions and announced significant short-term cuts from projected defence spending: A$8.8 billion was cut from spending projected over the following six years, with promises that it would be reinstated at some unspecified time in the future (Thomson 2009).

In the event, the fiscal impact of the GFC was less than expected, but Defer
appropriations continued to be squeezed the following year to help bring the fede
Budget back into surplus as soon as possible (Thomson 2010). These short-terms c
probably made little difference to Australia's long-term military capabilities, but th
helped underline Australia's deeper defence-funding challenges. The fact was t
defence spending in Australia over the decade to 2010 had only just managed to ke
pace with the growth in Australia's economy. By 2010 it amounted to 1.9 per cent
GDP, and was predicted to fall further to 1.7 per cent over the next few years. Meanwh
many economies in Asia had been growing a lot faster than Australia's, and regio
defence spending had grown faster still. Reasonable estimates suggested that Austra
could continue to maintain its current levels of defence capability at something li
current levels of defence spending as a share of GDP out as far as 2050 (Thomson 200
But that would simply allow the ADF to stand still as other countries' forces expand
and developed substantially, leading to a long-term decline in Australia's relati
strategic weight in Asia. The long-term adequacy of Australian defence spending
sustain Australia's middle power status was therefore highly questionable.

Like its predecessors, the Rudd government put great faith in the capacity
efficiency initiatives to make up the difference between expected levels of defen
funding and growing strategic demands. But also like its predecessors, the Ru
government showed little understanding of the nature of Defence's inefficiencies a
management problems, and little willingness or ability to come to grips with the
After an energetic start in the late 1990s under ministers for defence Ian McLachlan a
John Moore, the momentum for defence reform under Howard fell away after 20
The Rudd government proclaimed a renewed determination to transform Defen
and made it a centrepiece of the *Force 2030* process. George Pappas was commission
to undertake what was called a Defence Budget Audit, intended to scrutinise all aspe
of Defence business to identify inefficiencies. On the basis of this report and a seri
of internal reviews, in 2009 the government launched a Strategic Reform Progra
(SRP) designed to achieve deep and fundamental reform to the way Defence d
business. By 2010 little appeared to have been achieved, and the evidence suggest
that the SRP would amount to little more than a routine exercise in trimming the le
sensitive parts of the Defence budget (Thomson 2010). There remained no doubt th
Defence was a very inefficient organisation that could be made to deliver capabili
more cost-effectively, but the reforms needed to achieve real efficiencies were mo
fundamental and more painful than either Coalition or Labor governments we
willing to contemplate.

OPERATIONS

At the start of 2006, Australia's largest operational deployment was Operation Cataly
in Iraq. After withdrawing almost all Australia's ground forces in mid-2003 so

after the initial invasion, in April 2005 the Howard government sent a battle group of approximately 500 troops to Al Muthanna province in southern Iraq, where their mission was to provide security for Japanese military units doing reconstruction work. In addition, Australia continued to contribute naval units, maritime patrol aircraft and transport aircraft to the coalition. In June 2006, after the Japanese announced the completion of their mission in Al Muthanna, Howard announced that Australia's contingent there would move to Tallil airbase in neighbouring Dhi Qar province, where their primary mission would be to provide support for the Iraqi authorities if called upon to do so (Howard 2006a: 94–5). Little information was released about this mission, but Dhi Qar was among the most peaceful areas of Iraq, and it appears that relatively little was demanded of the Australian contingent during this operation other than to help train local Iraqi forces. No Australians were killed in action. It seems likely that the Australian government was sensitive to the political impact at home of ADF casualties in Iraq, and that the locations and roles of Australian ground forces in Iraq were chosen to minimise the risks to Australian personnel. It is hard to escape the impression that the Australian contribution was intended more as a token of political support for the US effort in Iraq than as a real effort to contribute materially to the coalition operations.

Nonetheless, the Australian commitment continued to meet significant opposition in Australia, in part because of residual opposition to Australia's participation in the original invasion, and in part because of Iraq's dire political and security situation in 2006, when the civil war was at its worst, with an estimated 35 000 Iraqi civilians killed, along with over 800 American service personnel. Labor opposed the commitment, and in 2007 Rudd campaigned on a promise to withdraw Australian forces. After winning the election in November 2007, he moved swiftly to implement this policy. Australia's contingent at Tallil ceased operations in June 2008, and Operation Catalyst was formally wound up on 31 July 2009.

Meanwhile, Australia had taken on a new operational commitment much closer to home. In May 2006, in response to a severe political and security crisis in Timor-Leste, the Howard government deployed a substantial Australian force as the major part of a multinational coalition to restore law and order, and support a peaceful and orderly resolution of the crisis. The initial commitment grew rapidly to over 3000 ADF personnel from all services. From August 2006, this number declined, but the Rudd government reinforced the ADF presence again in March 2008 following attempted attacks on Timor-Leste's President José Ramos-Horta and Prime Minister Xanana Gusmão. By the end of 2010 there remained around 400 personnel deployed in Timor-Leste, and it seemed likely that some presence might be needed there more or less indefinitely. Australia also maintained a modest military deployment to Solomon Islands in support of the Regional Assistance Mission to Solomon Islands (RAMSI) operation throughout 2006–10, and joined New Zealand in a brief deployment to Tonga in November 2006 to help restore stability after a political crisis.

The most significant, costly and contentious Australian military operation in tl period 2006–10 was undoubtedly the Australian deployment to Afghanistan und Operation Slipper. It became the first Australian military operation to inflict sustaine combat casualties on the ADF since Vietnam.

An Australian Special Forces Task Force was deployed to Afghanistan in late 20C as part of the initial post-11 September US-led operations to target al Qaeda, but the were withdrawn swiftly after the Taliban government fell, and after December 20C there were no Australian units deployed to Afghanistan. Then in September 2005, tl Howard government announced that another Special Forces Task Force would be sent t work with US special forces in operations against the Taliban and al Qaeda for a limite 12-month period. From there the scale of Australia's commitment grew steadily, and i nature changed. In March 2006, two Chinook helicopters and support personnel we deployed, and in August 2006, Australia undertook for the first time to contribute to tl NATO-led International Security Assistance Force (ISAF) by sending a Reconstructio Task Force to join the Dutch-led Provincial Reconstruction Team in Oruzgun provinc Their primary role was to build facilities like hospitals and schools in an effort to wi support for the Kabul government among local inhabitants. In April 2007, this tea was reinforced by the deployment of a Special Forces Task Force to operate alongsic it in Oruzgun: their mission was to counter Taliban resistance to the ISAF mission. B mid-2007 about 1000 ADF personnel were serving in Afghanistan. In October 2008, tl Australian role in Oruzgun was expanded to include training and mentoring of loc Afghan army units, and over the next 18 months the mentoring role became the prin mission of the ADF ISAF contingent in Oruzgun. In May 2009, another 450 personn were committed, and by 2010 about 1550 ADF personnel were deployed.

As more soldiers were deployed and their roles changed, Australia's casualties i Afghanistan mounted sharply between 2007 and 2010. In the last three months c 2007, three soldiers were killed in action. Another three were killed in 2008, and fou in 2009. In 2010 nine more soldiers died, all in a three-month period between June an August. This rising toll, and growing doubts in the United States and elsewhere abou the wisdom of the whole Western intervention in Afghanistan, led to more probin debate about the purpose and value of Australia's mission. Back in 2001, Howar had insisted that Australia would not provide forces for protracted stabilisation an reconstruction missions in Afghanistan, fearing precisely the kind of open-ende commitment into which Australia was eventually drawn. However, by 2006, wit things in Iraq going so badly, Howard felt the need for Australia to contribute mor to President George W Bush's global war on terror, while at the same time facing dee resistance at home to Bush's Iraq policy. A renewed contribution in Afghanistan wa the obvious answer: Afghanistan had come to be seen as the 'good war' by those wh opposed Iraq but still believed that a strong response to terrorism was required, and b those who saw the NATO–ISAF role as primarily humanitarian. It also seemed to pos less risk of casualties.

The same logic appealed even more strongly to Rudd as he campaigned for office and took government in 2007. For him, a strong commitment to Afghanistan was a way to reassure voters that he was tough on national security and a staunch US ally even as he promised to withdraw Australian forces from Iraq. Indeed, soon after taking office in early 2008, Rudd and his Minister for Defence, Fitzgibbon, started a high-profile campaign to urge the United States' NATO allies to support ISAF more vigorously, although at first they showed no inclination to expand either the size or the mission of Australia's relatively small and operationally restricted contingent. Inevitably this created an impression of hypocrisy, and there is evidence that some in Washington began to raise questions about whether Australia's modest contribution matched its outsize rhetoric. All this may have contributed to the pressure on Rudd to expand Australia's deployment significantly in 2008. The government, however, refused to be drawn into doing more still, and when the Dutch withdrew from Oruzgun in 2010, Australia declined to take over the ISAF leadership in the province. After the equivocal outcome of the August 2010 election, Gillard found herself relying on the support of a Green and a left-leaning Independent for her majority, which put more pressure on her Afghanistan policy and, combined with mounting casualties, led to calls for a fuller explanation of the rationale of Australia's role in Afghanistan and of when it might end. The government found this hard to provide. In opening a lengthy parliamentary debate in October 2010, Gillard repeated that the primary aim of Australian operations in Afghanistan was to reduce the risk of terrorist attack on Australia, but in reality, showing support for the US alliance remained the government's principal reason for remaining in Afghanistan (Gillard 2010a: 692). This not only sat uncomfortably with *Defence 2030*'s claim that Australia should not put soldiers' lives at risk simply to support the alliance (DOD 2009a: 47, para 6.15); it also seemed to overlook the increasingly obvious fact that as China's power increased Australia's credentials as a US ally would progressively be judged more by the support the nation provided the United States in Asia as China's challenge grew, than by the contributions made to sideshows like Afghanistan.

Australian strategic and defence policy drifted between 2006 and 2010. These years lacked dramatic events like the Timor-Leste crisis and the terrorist attacks that had galvanised policy in the late 1990s and the first years of the new century. Instead Australian governments and the ADF found themselves preoccupied with maintaining the protracted operational commitments that they had inherited from these earlier crises—commitments that became more and more costly while seeming less and less relevant to Australia's security. Meanwhile, little if anything was done to fix the deep systemic problems throughout Defence, which undermined Australia's ability to develop and sustain effective armed forces. Above all, Australia's policy-makers failed effectively to address the strategic implications of the Asian power shift that was, in these years, overturning the foundations on which Australian strategic policy had been based for 40 years.

CHAPTER 15

Australia's Foreign Policy Machinery

Michael Wesley

The machinery of Australia's foreign policy-making was transformed during the fir decade of the twenty-first century, perhaps more profoundly than at any stage sinc the creation of an independent Department of External Affairs in November 193 Until that time, the foreign affairs function of the Commonwealth government ha been administered from within the Prime Minister's Department. From its mode beginnings in 1935 in a clutch of rooms on the ground floor of Canberra's We Block administrative building, the Department of External Affairs, then Foreig Affairs, then Foreign Affairs and Trade (DFAT) grew steadily in size and confidenc When DFAT moved into its imposing new headquarters on the edge of State Circ in 1996, it symbolised a coming of age of a powerful, confident bureau of state wit full and independent stewardship of the nation's foreign affairs. While prime ministe from Sir Robert Menzies to Paul Keating may have felt strongly about particul international causes, few questioned that DFAT and its ministers played the central ro in initiating and implementing policy across the full suite of Australia's internation interests. Within the department, there was the strong self-belief of a chosen elit as demonstrated by an alumni scattered across the senior ranks of federal and sta bureaucracies, corporations and parliamentary benches. In the period of DFAT ascendancy, Australia's diplomatic successes were central to the nation's sense of se as a confident, rising nation with an independent, creative role to play in the world.

The years of DFAT's supremacy were not to last long. The years from 1996 saw gradual slide in resources and staffing levels channelled towards the RG Casey buildin the slow strangulation of a culture of policy debate within DFAT and the progressiv censoring of diplomatic cables that might convey critical reactions to Australia foreign policy (Dobell 2003: 71–4). By March 2009, a Blue Ribbon Panel convened b the Lowy Institute for International Policy to survey the state of Australia's foreig

An expert review of the most significant features of Australian foreign policy 2006–2010

This comprehensive volume on Australian foreign policy reviews the key activities of policy-makers and the policy community during the period from 2006 to 2010, years characterised by a significant realignment of global and regional power. Chapters examine Australia's major bilateral relationships and central questions in policy-making and execution. There is also coverage of emerging and developing issues such as relations with Africa and India, and innovations in the management of foreign policy-making.

This is the eleventh volume in a series initiated and sponsored by the Australian Institute of International Affairs, which has reviewed and analysed Australian foreign policy since 1950.

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