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# The Importance of the Inner Arc to Australian Defence Policy and Planning

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This article examines the strategic importance of the inner arc to the evolution of Australia's defence policy and how it has been perceived both as threat and opportunity. It analyses the classified strategic guidance from the 1950s to the mid-1970s and the subsequent public statements in Defence White Papers until the most recent one in 2009. This article focuses on both the conceptual framework of high-level defence policy and its implementation, but not on the details of military operations or the Australian Defence Force's activities in the region. The article concludes by discussing the future strategic significance of the 'arc' to Australian defence planning out to 2030.

Australia's strategic neighbourhood has not always been of great importance for our defence planning. This may seem surprising, given the proximity of the inner arc, which stretches from the Indonesian archipelago, Timor-Leste and Papua New Guinea in the north, to the Solomon Islands, Vanuatu, Fiji, New Caledonia and New Zealand in the east.<sup>1</sup> The explanation lies in our periodic preoccupation since the Second World War with distant conflicts in Korea and Indochina and, more recently, Iraq and Afghanistan. Mounting expeditionary forces in a subordinate role to allies in distant theatres has often been a greater priority of Australian governments.

Inevitably, however, as such distant wars have come to a close there has been a shift to refocus on the unique nature of Australia's strategic geography. In defence planning terms, this has resulted in two key priorities: first, the defence of Australia's northern approaches and, second, the recognition that the inner arc is the direction from or through which any credible threat to Australia would have to be mounted.

Australia has only once been threatened militarily by the presence of an enemy within range of our northern land mass. That was in the Second World War when Japan occupied the area that is now Indonesia, East Timor and parts of Papua New Guinea. At that time, the fear in Australia of a Japanese invasion was real—even though it turned out to be beyond Japan's military capabilities.<sup>2</sup> However, it needs to be recognised that deep in the Australian psyche is the worry (some would say paranoia)—which

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<sup>1</sup> The proximity of this island chain gives it greater importance in defence planning terms than more distant and small islands such as Tonga, Western and American Samoa, Tuvalu, Kiribati, Nauru and French Polynesia.

<sup>2</sup> T.B. Millar, *Australia in Peace and War* (Canberra: Australian National University Press, 1978), pp. 150-1. Japan did, however, plan to take New Caledonia, Fiji and Samoa (*ibid.*, p. 151).

politicians even today cannot ignore—that we live in a large, sparsely populated, resource rich continent that is vulnerable to attack.<sup>3</sup>

This article examines the strategic importance of the inner arc to the evolution of Australia's defence policy and how it has been perceived both as threat and opportunity. It analyses the classified strategic guidance from the 1950s to the mid-1970s and the subsequent public statements in Defence White Papers until the most recent one in 2009. I have chosen this chronological approach because it gives the reader a clear understanding of how key policy issues have varied in importance in Australian defence planning over time. The article focuses on both the conceptual framework of high-level defence policy and its implementation, but not on the details of military operations or the Australian Defence Force's activities in the region. The article concludes by discussing the future strategic significance of the 'arc' to Australian defence planning out to 2030.

#### **The Conceptual Basis of Australian Defence Policy<sup>4</sup>**

As the most powerful Secretary of the Department of Defence, Sir Arthur Tange, once said: "The map of one's own country is the most fundamental of all defence documentation".<sup>5</sup> Geography is the key to a sound defence strategy and one of the most important factors driving military posture and force structure. This is not to argue that geographical location alone dictates the defence policy of the state. Nation states do not find themselves in a geographical strait-jacket. Rather, strategic geography presents opportunities for defence planners to develop an intellectually rigorous and logical defence strategy and reduce the range of practical policy choices.

Australia's area of direct military interest covers about ten per cent of the earth's surface. It extends from the Cocos Islands in the west to the islands of the Southwest Pacific and New Zealand in the east and from the Indonesian archipelago and Papua New Guinea in the north to Antarctica in the south. Other than defending our own territory, the most important strategic objective is to help foster the stability, integrity and cohesion of our immediate neighbourhood. As successive Defence White Papers have noted, Australia would be concerned about major internal challenges that threatened the stability of any neighbouring country. In addition, Australian interests would inevitably be engaged if countries in this region became vulnerable to the adverse influence of strategic competition by major powers.

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<sup>3</sup> See former Minister for Defence Kim Beazley quoted in Peter FitzSimons, *Beazley: A Biography* (Sydney: Harper Collins, 1998), pp. 227-8.

<sup>4</sup> This section draws on the author's 'Is Strategic Geography Relevant to Australia's Current Defence Policy?', *Australian Journal of International Affairs*, vol. 60, no. 2 (June 2006), pp. 247-64.

<sup>5</sup> Sir Arthur Tange, *Defence Policy Administration and Organisation: Selected Lectures 1971-1986* (Canberra: University College, The University of New South Wales, 1992), p. 90.

I have argued elsewhere that if geography is used as the independent variable it can greatly help guide force structure priorities.<sup>6</sup> By describing geography as the independent variable I mean that it is of abiding strategic policy relevance, despite the vicissitudes of change in the external environment and domestic variables such as the budget. It cannot, of course, ignore these other variables but it must form the base for prudent defence planning. So, the maritime capabilities—mostly air and naval forces—that we maintain to defend Australia also have the ability to support the security of our immediate neighbourhood because they have the range and endurance to do so. The land forces we maintain as part of a joint force to defend Australia also have the capability to contribute substantially to the security of our immediate neighbourhood. The strategic geography of our neighbourhood—in which all of our immediate neighbours are island or archipelagic states—means that their defences against external aggression would, like Australia's, rely heavily on the ability to control their air and sea approaches. Thus, the air and naval capabilities that Australia has developed for the defence of Australia would be able to make a valuable contribution to this regional task, if requested and if deemed appropriate by Australia.

The characteristics of the archipelago to our north demand that we have the flexibility to respond to a wide range of military operations. These could extend from assisting or protecting evacuations from regional trouble spots, response to natural disasters or civil crises, aid to the civil power, peacekeeping and peace enforcement, and—in extremis—being able to work with our neighbours to respond in the event of armed aggression against them. And our planning needs to acknowledge that we could be called upon to undertake more than one operation simultaneously in the inner arc. The potential for instability in our immediate neighbourhood demands that we have that sort of capability in our force in-being.

We need to differentiate between armed conflicts of choice and conflicts of necessity. The former are discretionary tasks involving important international responsibilities but with limited direct consequences for Australia. Examples are: peacekeeping missions in Somalia and Rwanda and our military operations in Afghanistan and Iraq. Conflicts of necessity are non-discretionary tasks tending to be Australian responsibilities with direct and potentially severe consequences for our national security. Examples are: defending our territory and maintaining stability in the immediate region—for example, our intervention in East Timor in 1999. This distinction is important because maintaining the capability to undertake vital non-discretionary tasks deserves a place near the head of the queue when it comes to making force structure decisions in defence planning and the defence budget.

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<sup>6</sup> Dibb, 'Is Strategic Geography Relevant to Australia's Current Defence Policy?', p. 254.

Ultimately, the consistent application of strategic geography should be an iron discipline for a country with Australia's modest size defence force. The reason why Papua New Guinea will always be of infinitely greater strategic importance to us than Guinea-Bissau is the simple fact of the abiding strategic importance of Australia's immediate neighbourhood.

### **The Neighbourhood in Classified Defence Policy**

It was not until the mid-1960s that Australia's neighbourhood returned to strategic prominence after the Second World War. In the 1950s and early 1960s it was the Middle East and Southeast Asian contingencies that most preoccupied Australian defence planners. An analysis of the *Strategic Basis of Australian Defence Policy* papers shows how the treatment of the defence of Australia and the importance of the neighbourhood have evolved.<sup>7</sup>

In the late 1940s, the risk of global war with the USSR and Australia's role in the Middle East were the main concern until the Korean War in 1950. In the 1950s Australia's commitment to the Allied defence effort in Southeast Asia and the importance of Malaya as the first line of Australia's defence brought defence planning closer to Australia.<sup>8</sup> In 1955, the Manila Treaty created the Southeast Asian Treaty Organisation (SEATO), which formally committed the United States to the region. Even so, there was an oblique reference in the 1956 *Strategic Basis* to the possibility that Australia might face conflict in New Guinea without allied support.<sup>9</sup> By 1959, the *Strategic Basis* document was stating that Australia should be prepared to act independently, at least for a time, in a limited war against Indonesia, including over West New Guinea.<sup>10</sup>

As Stephan Frühling notes, in the first half of the 1960s Australia's international outlook was dominated by increasing concerns about conflicts in Indochina and Indonesia. The latter presented us with the prospect of a direct military threat: President Sukarno had obtained Soviet military equipment which was more advanced than that of Australia. It included Badger bombers capable of bombing northern Australia, fighter aircraft, a heavy naval cruiser and submarines. In 1963, this resulted in Australia ordering four Oberon class submarines from the United Kingdom and twenty four F-111 fighter-bombers from the United States.<sup>11</sup>

By this time, Indonesia had the third largest Communist Party in the world and it was in confrontation with the newly created state of Malaysia.

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<sup>7</sup> Stephan Frühling (ed.), *A History of Australian Strategic Policy Since 1945* (Canberra: Defence Publishing Service, 2009). This book contains the formerly classified Strategic Basis documents from 1946 to 1976 and is an invaluable collection.

<sup>8</sup> *Ibid.*, p. 16.

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*, p. 17.

<sup>11</sup> T.B. Millar, *Australia's Defence Policies 1945-1965* (Canberra: Department of International Relations, The Australian National University, 1967), pp. 59, 60.

Jakarta's main political ally was the People's Republic of China and Canberra was alarmed by the existence of a so-called 'Beijing-Jakarta Axis' of new revolutionary forces that might aim take over the region. By 1965, Australia had committed a battalion to military operations against Indonesia in Borneo. But by the end of the year, Sukarno had been overthrown by the anti-communist forces of the New Order under President Suharto and the threat of war with a Soviet-armed Indonesia had been averted.

As T.B. Millar observed, it would be hard to think of two neighbouring states anywhere more dissimilar than Australia and Indonesia.<sup>12</sup> The latter's aggressive stance in the early 1960s had caused Australia substantially to re-equip its defence force and to contemplate the need to act independently of its allies against Indonesia.<sup>13</sup> This included the possibility of Australian forces being required to act without the assistance of the United States against any future Indonesian threats to Papua New Guinea.

Except for the continuing war in Vietnam, Australia's defence planning started to focus in the late 1960s and early 1970s on the defence of Australia as a concept. Thus, the 1968 *Strategic Basis* judged that "because of Australia's geographic isolation", a direct invasion of mainland Australia would present enormous problems for an enemy.<sup>14</sup> Instead, it should be prepared to deal independently with sporadic attacks and raids as well as potential Indonesian threats in the "late medium or long term" to Papua New Guinea.<sup>15</sup> The 1971 *Strategic Basis* paper judged there was no single or clear contingency to base force development policy on, but "more emphasis than hitherto should be given to the continuing fundamental obligation of continental defence".<sup>16</sup> This was an important statement of policy principle—but it was rejected by Cabinet.<sup>17</sup>

The 1973 *Strategic Basis* was the first to include a separate section on Australia's neighbourhood, establishing an approach that would be used by subsequent guidance documents. It noted that Indonesia was now interested in a stable region and saw Australia as an ally rather than an enemy.<sup>18</sup> Indonesia was perceived as being of the greatest significance to Australia because of its position:

The Indonesian archipelago imposes a substantial sea and air barrier between Australia and mainland Southeast Asia; it is also the country from or through which a conventional military threat to the security of Australian territory could most easily be posed. Australia's relations with Indonesia are

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<sup>12</sup> Millar, *Australia in Peace and War*, p. 236.

<sup>13</sup> Millar, *Australia's Defence Policies 1945-1965*, pp. 47-61.

<sup>14</sup> Frueling, *A History of Australian Strategic Policy Since 1945*, p. 385.

<sup>15</sup> *Ibid.*

<sup>16</sup> *Ibid.*, p. 25, 433.

<sup>17</sup> *Ibid.*, p. 27.

<sup>18</sup> *Ibid.*, p. 28, 460.

of profound and permanent importance to Australia's security and national interest.<sup>19</sup>

At the same time, however, the *Strategic Basis* stated that Indonesia's proximity and size, the possibility of friction over Papua New Guinea, the political extremism of the Sukarno era and the uncertain prospects for political development in the long term gave rise to doubts about Indonesia. Even so, it judged that the likelihood of Indonesia threatening Australia, either directly or by action in Papua New Guinea, was remote.<sup>20</sup> Regarding Papua New Guinea, *Strategic Basis* 1973 judged that Indonesia had a legitimate interest in the situation in Papua New Guinea and would seek substantial influence there. It said Indonesia might sometime wish to use military force to protect its interests in Papua New Guinea but any military operations would be limited in extent and duration and confined to the border region.<sup>21</sup> Beyond the possibility of limited activity in the border area, the likelihood of Indonesia adopting a military solution to any problems it had with Papua New Guinea was remote and significant military intrusions by Indonesia into Papua New Guinea were judged as highly improbable.<sup>22</sup>

The section on Papua New Guinea stated that country was of abiding strategic interest to Australia because of its "geography and propinquity" and because of its importance to our military and trade lines of communication to the north and to Southeast Asia. No threat of military attack against Papua New Guinea by an external power was foreseen over the next fifteen years, but situations could develop that would offer scope for external interference from countries such as China and the USSR if seeking to increase their influence.<sup>23</sup> The main issue noted for concern was the presence of large numbers of Australians (at that time 46,000) which in an emergency it could be necessary to evacuate in large numbers.<sup>24</sup> The *Strategic Basis* observed that there were strong arguments against Australian intervention in the internal security situation in Papua New Guinea. However, in words that still resonate today, the 1973 document judged that should the Australian Government decide intervention was necessary, the object of intervention with ground forces should be to keep operations limited, short term, as indirect as possible and as far as practicable to avoid the use of force against the Papua New Guinea population.<sup>25</sup>

With regard to the Southwest Pacific generally, *Strategic Basis* 1973 observed that no state in the region could possibly threaten Australia, although some might seek to prejudice Australian interests. Australian

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<sup>19</sup> Ibid., p. 459.

<sup>20</sup> Ibid., p. 460.

<sup>21</sup> Ibid., p. 461.

<sup>22</sup> Ibid., p. 462.

<sup>23</sup> Ibid., p. 463.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid., p. 474.

military capability and its display should be such as to sustain regional confidence in Australia's support, but no special provision needed to be made for possible military operations.<sup>26</sup>

The section on New Zealand in the 1973 *Strategic Basis* observed that Australia was of far greater strategic significance to New Zealand than New Zealand was to Australia. It noted that New Zealand's defence capacities were small and although its forces had in the past provided a useful supplement to Australia's they had relied heavily on Australian, or other allied, logistics support. Nevertheless, it stated that the contribution New Zealand could make to Australia's efforts should not be discounted.<sup>27</sup>

The remaining two *Strategic Basis* documents for October 1975 and September 1976 that have been published continue the practice of having a significant section on the neighbourhood. Thus, the 1975 *Strategic Basis* observed that a friendly Indonesia could be expected to deter or at least impede a conventional assault on Australia. Indeed, it stated, without access to facilities in the Indonesian island chain, not even a major maritime power could sensibly contemplate a sustained attack on Australia.<sup>28</sup> Nevertheless, the 1975 document acknowledged that for Australia there "will always be problems in living alongside a large, alien and volatile state".<sup>29</sup>

In addition, although not assessed as probable, "limited and localised and isolated military forays" by Indonesia across the Papua New Guinea border could occur if Indonesia considered conditions there to be causing unrest in West Papua. In these circumstances, Australian security would not be directly endangered but Papua New Guinea might call on Australia for military assistance. More substantial Indonesian military penetration of Papua New Guinea appeared improbable.<sup>30</sup> Serious instability in Papua New Guinea, however, remained a contingency that Australian policy would need to take into constant account.

The 1975 *Strategic Basis* (which was produced in October 1975) made only one reference to Portuguese Timor, where it stated that Indonesian use of force "appears likely" but this would not endanger Australian security.<sup>31</sup> However, it could arouse political objections in Australia and risk impairment of friendly relations with Indonesia.

With regard to New Zealand, the 1975 document expressed serious concern over New Zealand's uncertainty about the reliability of US assurances under ANZUS and about Australian strategic policy, which New Zealand

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<sup>26</sup> *Ibid.*, p. 475.

<sup>27</sup> *Ibid.*, p. 477.

<sup>28</sup> *Ibid.*, p. 512.

<sup>29</sup> *Ibid.*

<sup>30</sup> *Ibid.*, p. 513.

<sup>31</sup> *Ibid.*, p. 512.

interpreted as turning towards the defence of Australia and excluding New Zealand. It observed that New Zealand's dominant approach to security matters appeared to relate to a very low sense of potential threat "in its distant corner of the Pacific Ocean".<sup>32</sup>

The last document considered here, *Australian Strategic Analysis and Defence Policy Objectives 1976*, was written after the Indonesian invasion of East Timor in December 1975. This was arguably the most important threat to Australia's strategic neighbourhood since Confrontation. It involved harsh use of military force by Indonesia. Interestingly then, the 1976 document stated that Australia's defence interest would be served by East Timor's incorporation in Indonesia because the alternative would be an essentially weak state, open to outside interference.<sup>33</sup> It also advised that Australia's defence interest would be best served by Australia ceasing to press further its advocacy of self-determination for East Timor, which would be a challenge to Indonesian sovereignty.<sup>34</sup>

The 1976 document observed that Indonesia already had the capability for low-level politico-military harassment of Australia, including its maritime resources zone, offshore territories including Cocos and Christmas Islands and lines of communication.<sup>35</sup> This could present Australia with difficult defence problems. Defence planning and preparation should ensure that the Australian Defence Force (ADF) could mount the necessary military measures quickly in response. However, without substantial external aid Indonesia would need at least ten years to bring its defence forces to such a state of technical readiness that would provide a capability to mount a substantial military threat against Australia. Such a development would represent a major change in the determination of Indonesia's national priorities, and would be immediately perceptible to Australian intelligence.

Papua New Guinea became an independent country in September 1975, and the 1976 paper noted that Indonesia had reservations about Australia's will and capability to play a leading role in ensuring stability in Papua New Guinea.<sup>36</sup> It assessed there was a possible, but unlikely, contingency of small-scale Indonesian military pressure against Papua New Guinea along their common border. However, direct military intervention on a large-scale was again judged unlikely. It noted that, from the defence point of view, fragmentation in Papua New Guinea would have major disadvantages for Australia's strategic interests. In this context, it appeared desirable that a Papua New Guinea Government faced with threat or act of secession by its

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<sup>32</sup> *Ibid.*, p. 515.

<sup>33</sup> *Ibid.*, p. 586.

<sup>34</sup> *Ibid.*

<sup>35</sup> *Ibid.*

<sup>36</sup> *Ibid.*, p. 587.

Bougainville region had the choice of using military force to try to retain or regain control.<sup>37</sup>

The 1976 document concluded that, within the limits established by New Zealand's reluctance to allocate a larger share of its national resources to its defence and military, cooperation with Australia was generally satisfactory. However, it observed that New Zealand tended to make assumptions about an identity between Australian and New Zealand strategic interests that did not take account of Australia's different geopolitical circumstances. Generally, New Zealand appeared to envisage a degree of cooperation with Australia that went beyond its defence capacity to support.<sup>38</sup>

### **The Neighbourhood in Defence White Papers**

We turn now to the publicly available and more recent Australian Defence White Papers, which are usually more guarded in what they say about foreign countries. However, there is much continuity with the basic defence planning precepts described earlier. No threat of major attack on Australia is foreseen, but a significant number of crises in the immediate neighbourhood have periodically raised this region's importance for defence planners.

Thus, in the late 1980s the military coup in Fiji, the secessionist movement in Bougainville and political crises in both Papua New Guinea and Vanuatu involved contingency planning for evacuation of Australian citizens and options for military intervention. In 1987, Wellington's decision to implement legislation banning visits by US nuclear warships caused Washington to cease treating New Zealand as an ally. Australia's intervention in East Timor in 1999 (its largest overseas military operation since the Vietnam War) and again in 2006, and its peacekeeping operations in the Solomon Islands from 2003 ensured that the 'arc of instability' remained prominent in Canberra policy planning. Since the turn of the century, however, the ADF has been heavily preoccupied yet again with distant military expeditionary operations in Afghanistan (since 2001) and Iraq (from 2003).

These disparate operations, both in the neighbourhood and at great distance in the Middle East, have led to the policy formulation, most recently stated in the 2009 Defence White Paper, that Australia should be able to lead coalitions in its neighbourhood and make "tailored contributions" (i.e. limited numbers of troops) elsewhere.<sup>39</sup>

We can trace some of these important defence policy considerations through successive Defence White Papers. The first Australian Defence White Paper, published in 1976 and called *Australian Defence*, set out clearly for

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<sup>37</sup> Ibid., p. 592.

<sup>38</sup> Ibid., p. 598.

<sup>39</sup> Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030* (Canberra: Commonwealth of Australia, 2009), pp. 45, 48, 54.

the first time in the public domain the importance of what it called the area of Australia's primary strategic concern. It said that, for practical purposes, the requirements and scope for Australian defence activity were limited essentially to the areas closer to home—areas in which the deployment of military capabilities by a power potentially unfriendly to Australia could permit that power to attack or harass Australia and its territories, maritime resources zone and near lines of communication. This area of primary strategic concern was described as our adjacent maritime areas including the Southwest Pacific countries and territories, Papua New Guinea, Indonesia, and the Southeast Asian region. It noted that the Indonesian archipelago, together with Papua New Guinea, would be an important factor in any offensive military strategy against Australia.<sup>40</sup>

The 1987 Defence White Paper, *The Defence of Australia*, was primarily about defence self-reliance and designing a force structure for the defence of Australia. It included the neighbourhood in what it called the area of direct military interest and observed that it was in our own region where we had the most realistic prospect of substantial defence influence and involvement. It said developments in the archipelagic states, and especially Indonesia, were of great strategic significance to us and that Australia saw a stable Indonesia as an important factor in its own security. Indonesia formed a protective barrier to Australia's northern approaches and it possessed the largest military capability among the ASEAN nations.<sup>41</sup>

With regard to the Southwest Pacific, the 1987 Defence White Paper said that the countries in the region lay across important trade routes and approaches to Australia's east coast, where most of our major population centres were located. An unfriendly maritime power in the area could inhibit freedom of movement through these approaches and could place in doubt the security of Australia's military equipment supplies from the United States. It observed that Australia's strategic focus on the region had widened as a number of the island states attained independence and as the region received increased attention from external powers.<sup>42</sup> The establishment of fisheries agreements between some regional states, such as Vanuatu and Kiribati, and the USSR were of concern, and the establishment of a Soviet presence ashore would be an unwelcome development.<sup>43</sup>

The White Paper said that the fragile and narrowly-based economies of the Southwest Pacific countries would continue to present opportunities for exploitation by external powers. It specifically noted that Australia would be

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<sup>40</sup> Department of Defence, *Australian Defence* (Canberra: Australian Government Publishing Service, 1976), p. 6.

<sup>41</sup> Department of Defence, *The Defence of Australia* (Canberra: Australian Government Publishing Service, 1987), p. 15.

<sup>42</sup> *Ibid.*, p. 17.

<sup>43</sup> *Ibid.*

understandably concerned should a hostile power gain lodgement or control in Papua New Guinea.<sup>44</sup>

The 1987 Defence White Paper was blunt about New Zealand. It stated that the dispute between New Zealand and the United States over visits by nuclear ships and aircraft had seriously damaged the defence relationship between these two allies. Australia was not a party to the dispute but it accepted that access for ships and aircraft was a normal part of an alliance relationship. Australia therefore regretted that New Zealand policy detracted from that relationship.<sup>45</sup>

The 1994 Defence White Paper was more positive about New Zealand. It said both Australia and New Zealand expected that if either country were threatened, the other would come to its aid. Australia valued the support which New Zealand could offer Australia in a conflict and believed that, in the more demanding strategic environment of the next century, its defence alliance with New Zealand might become even more important.<sup>46</sup> New Zealand's smaller economic base imposed constraints on the size of its defence effort, but Australia would seek a continued commitment to sustaining defence capabilities in the New Zealand Defence Force (NZDF) that "can contribute to our shared strategic interests".<sup>47</sup>

The main focus of the section on the Southwest Pacific was on Papua New Guinea, which is described as Australia's most substantial defence relationship in the region. It noted that under the Joint Declaration of Principles signed in 1987, Australia and Papua New Guinea were committed to consult to decide what measures should be taken in response if an external armed attack threatened the security of either country.<sup>48</sup>

The 1994 White Paper said that Australia's defence relationship with Indonesia was our most important relationship in Southeast Asia. Australia's security was enhanced as Indonesia developed its capacity to defend its own territory, because this made it less likely that in the future any hostile third power could mount attacks from or through the archipelago across our sea and air approaches. The White Paper noted that the stability, cohesion, economic growth and positive approach to the region which had characterised Indonesia since 1965 had contributed much to the stable and generally benign strategic environment which had prevailed in Southeast Asia since the end of the Vietnam War. This, in turn, "has done much to

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<sup>44</sup> *Ibid.*, p. 19.

<sup>45</sup> *Ibid.*, pp. 5-6.

<sup>46</sup> Department of Defence, *Defending Australia* (Canberra: Australian Government Publishing Service, 1994), p. 100.

<sup>47</sup> *Ibid.*, p. 101.

<sup>48</sup> *Ibid.*, p. 92.

ensure that the demands on Australian defence planning have remained manageable".<sup>49</sup>

The 2000 Defence White Paper, *Defence 2000: Our Future Defence Force*, marked a change of government but, even so, it continued with the by-now conventional wisdom that preventing or defeating any armed attack on Australia "is the bedrock of our security and the most fundamental responsibility of government".<sup>50</sup> The pattern of previous Defence White Papers is followed by the assertion that our second strategic objective is to help foster the stability, integrity and cohesion of our immediate neighbourhood.<sup>51</sup>

On the sensitive issue of East Timor, the White Paper acknowledged that the deployment of Australian troops under the International Force for East Timor (INTERFET) had caused understandable tensions with Indonesia, which resulted in the suspension of most areas of defence contact. Lingering misunderstandings in Indonesia about Australia's recent role in East Timor had made it hard to build on the opportunities offered by Indonesia's democratising achievements to establish the foundations of a new defence relationship.<sup>52</sup> It also noted that East Timor faced formidable security challenges, thus foreshadowing our decade-long commitment of ADF deployments to that country.

On Papua New Guinea, the 2000 White Paper again refers to "the expectation that Australia would be prepared to commit forces to resist external aggression" against Papua New Guinea.<sup>53</sup> It also noted that events over the last decade, including the Bougainville conflict and the Sandline affair, had placed enormous pressure on the unity and effectiveness of the Papua New Guinea Defence Force (PNGDF) and had confirmed that it was in need of reform. It bluntly observed that recent events elsewhere in the Southwest Pacific "have underlined the importance of a PNGDF that is loyal and responsive to political control".<sup>54</sup> This is the only indirect reference in the White Paper to Fiji, other than a mention that instability there and in the Solomon Islands had "brought a downscaling of our (defence) activities in those countries".<sup>55</sup>

Regarding New Zealand, the 2000 White Paper stated we have both strong similarities and "sometimes surprising differences" between us.<sup>56</sup> It stated

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<sup>49</sup> Ibid., p. 87.

<sup>50</sup> Department of Defence, *Defence 2000: Our Future Defence Force* (Canberra: Defence Publishing Service, 2000), pp. 29-30.

<sup>51</sup> Ibid., pp. 30-1.

<sup>52</sup> Ibid., p. 42.

<sup>53</sup> Ibid., p. 43.

<sup>54</sup> Ibid.

<sup>55</sup> Ibid., p. 44. No mention was made of Fiji in either the 1987 or 1994 Defence White Papers.

<sup>56</sup> Ibid., p. 42.

that New Zealand's strategic perceptions and outlook differed from Australia's in significant ways: New Zealand's view that strategic circumstances may not require the maintenance of capable air and naval forces differed from Australia's view of its own needs. It went on to observe that

we would regret any decision by New Zealand not to maintain at least some capable air and naval combat capabilities because such forces would allow a more significant contribution to be made to protecting our shared strategic interests, especially in view of the essentially maritime nature of our strategic environment.<sup>57</sup>

This criticism is balanced by acknowledging that New Zealand made an outstanding contribution of its forces to INTERFET and that Australia was grateful for the speed and generosity with which they were committed.

The last White Paper in this series, *Defending Australia in the Asia-Pacific Century: Force 2030*, was published in May 2009. Although it marks some radical changes from its predecessors by speculating about a major power adversary (arguably China) attacking Australia, it adheres to conventional wisdom when it comes to asserting Australia's strategic priorities. As usual, they are listed as being, first, the defence of Australia against direct armed attack, and second, the security, stability and cohesion of our immediate neighbourhood. It observes that our military superiority in the immediate neighbourhood "would increase the threshold of military modernisation required by nearby states to be able to develop such a (comparable) capacity".<sup>58</sup>

The 2009 White Paper stated that the continued stability of Indonesia is one of the most important features of our strategic outlook. It confirmed a strong commitment by the Australian Government to Indonesia's territorial integrity. The unspoken agenda here is the continuing suspicions in Jakarta that, following East Timor, Australia aims to detach West Papua from the Republic. The White Paper went on to say that a weak and fragmented Indonesia would "potentially be a source of threat to our own security" and would almost certainly require a heightened defence posture on Australia's part.<sup>59</sup>

The 2009 White Paper is quite pessimistic about the challenges facing the Southwest Pacific and East Timor which "will continue to be beset to some degree by economic stagnation and political and social instability" as well as "Weak governance, crime and social challenges that will continue to jeopardise economic development and community resilience".<sup>60</sup> It observes

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<sup>57</sup> Ibid.

<sup>58</sup> Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030* (Canberra; Commonwealth of Australia, 2009), p. 42.

<sup>59</sup> Ibid., pp. 35, 42.

<sup>60</sup> Ibid., pp. 35-6.

that, on occasion, these factors will cause security problems “of the kind to which Australia may need to respond directly”, including with ADF deployments.<sup>61</sup> Fiji gets a particular mention as being “plagued by a military that illegally interferes in the democratic process”.<sup>62</sup>

The section on New Zealand stressed the importance of successive deployments and combined operations with Australia in East Timor, the Solomon Islands and elsewhere that underscored the coincidence of Australian and New Zealand security interests and the critical need for close coordination of their defence postures and forces.<sup>63</sup> The 2009 White Paper warned that this would require a concerted effort on the part of both countries and it specifically mentioned the proposal to develop an ANZAC task force capable of deploying at short notice into the immediate region.<sup>64</sup>

### Prospects for the “Arc of Instability”

This survey of over half a century of Australian defence policy towards its strategic neighbourhood can be summarised in three broad phases:

1. The most serious perceived threat was in the early 1960s when President Sukarno announced his policy of Confrontation towards the new state of Malaysia and his acquisition of advanced Soviet military equipment, which led to Australia purchasing submarines and long-range F-111 fighter-bombers. Australian defence expenditure doubled between 1960 and 1965. However, the coming to power of the Suharto Government in 1965 transformed the relationship into a friendlier one for the following decade until Indonesia's invasion of East Timor in 1975. For the next period of more than fifteen years, extending into the early 1990s, planning for the defence of Australia and the Kangaroo series of military exercises in the north of Australia centred on possible Indonesian low-level threats.<sup>65</sup>
2. From the late 1980s, the next decade shifted Australia's focus to instability and crises in the Southwest Pacific at a time when New Zealand was also perceived in Canberra as something of a strategic liability.<sup>66</sup> A succession of events in Fiji, Papua New Guinea and

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<sup>61</sup> Ibid., p. 36.

<sup>62</sup> Ibid.

<sup>63</sup> Ibid., p. 97.

<sup>64</sup> Ibid., p. 98.

<sup>65</sup> Paul Dibb and Richard Brabin-Smith, 'Indonesia in Australian Defence Planning', *Security Challenges*, vol. 3, no.4 (November 2007), pp. 67-93.

<sup>66</sup> This is the period when the phrase “arc of instability” was used. See Paul Dibb, David D. Hale and Peter Prince, 'Asia's Insecurity', *Survival*, vol. 4, no. 3 (Autumn 1999), p. 18. For an extended analysis of the concept see Robert Ayson, 'The “Arc of Instability” in Australian Strategic Policy', *Australian Journal of International Affairs*, vol. 61, no. 2 (June 2007), pp. 215-31.

Bougainville, Vanuatu and the Solomon Islands saw military force used by some island states, the threat of insurrection and military mutiny, and secessionist tendencies. On a number of occasions, the Australian Government and the Chiefs of Staff Committee considered the pros and cons of military intervention. However, the most serious use of force was in 1999 when 5000 Australian troops led the UN intervention force into East Timor. The government in Canberra was advised by the then Chief of Defence Force, Admiral Chris Barrie, that if the operation went wrong it could lead to military confrontation and even war with Indonesia.

3. Since the turn of the century security in the region has in some important respects improved. There are no significant defence tensions with Indonesia and none seem to be in prospect. The security situation in East Timor has settled down since the events of 2006 and the presidential and general elections in 2012 occurred peacefully enough. The remaining ADF troops will probably be withdrawn sometime in 2013. Papua New Guinea, however, is a serious worry and the domestic security situation and political governance continue to be highly volatile and unpredictable with increased potential for large-scale disorder. Similarly, the situations in the Solomon Islands, Vanuatu and Fiji remain potentially unstable. But defence relations with New Zealand are now in much better shape since Wellington's generous military support of Australia in East Timor. New Zealand's relationship with the United States has also greatly improved and Wellington is substantially back into a closer security partnership with Washington.<sup>67</sup>

What the above analysis demonstrates is that the inner arc has never really been a homogeneous neighbourhood of either instability or peace. Both attributes have generally been there, and as they come and go, Australia's defence focus changes accordingly.

It remains to consider what could go wrong in the neighbourhood over the next two or three decades and whether there will be basic continuity between the past and the future for Australia's defence planners. The following should be key policy considerations for the next Defence White Paper in 2013.

#### **PROSPECTS FOR INDONESIA**

The intelligence assessment of central strategic importance for Australia is the future of Indonesia.<sup>68</sup> A stable and democratic Indonesia with a strong

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<sup>67</sup> Robert Ayson and David Capie, 'Evolution, Not Revolution: The US-NZ Security Partnership', *Asia Pacific Bulletin*, no. 104 (Washington DC: East-West Center, 31 March 2011).

<sup>68</sup> For a discussion of the challenges facing Indonesia see Damien Kingsbury, 'Two Steps Forward, One Step Back: Indonesia's Arduous Path of Reform', *Strategy* (Canberra: Australian Strategic Policy Institute, January 2012).

economy is the preferable outcome. A fragmenting Indonesia, or a country ruled by an authoritarian nationalist or extreme Islamic government, could pose serious defence planning challenges to Australia. Indonesia's economy is growing impressively and, other things being equal, this should underpin political stability. By 2040 its population is projected to be close to 300 million and it may have the fourth-largest economy in the world. If that occurs, Indonesia could become one of what Coral Bell called the emerging society of giants.<sup>69</sup> However, that will not happen unless it tackles poor governance and corruption, workforce skills and education, and poor infrastructure.

We have got used to the idea that Indonesia's military forces have little in the way of strategic reach. Over the next two or three decades that may change if there are sustained high rates of economic growth and higher defence budgets. Depending upon the state of our relationship with Jakarta, Australia will have to assess carefully the implications of any seriously enhanced Indonesian military capabilities, especially naval and air. A well-armed, unfriendly Indonesia would be a first order strategic challenge for Australia and would preoccupy us to the exclusion of practically every other defence planning issue. On the other hand, a well-armed friendly Indonesia would be a security asset for Australia, and the region. This underlines how important it is for Australia to develop a much deeper strategic relationship with Indonesia and to support its continued democratic and economic development.

#### **THE SOUTHWEST PACIFIC**

In the Southwest Pacific, Papua New Guinea will continue to be the country of most concern to Australia. By 2040, it will have more than 11 million people. When combined with unprecedented economic growth generated by Papua New Guinea's resources wealth, this will enhance the country's prominence and relative weight in the region. How should Australia respond to Papua New Guinea's growing influence? A great deal depends on whether Papua New Guinea can resolve its chronic internal political and security problems. For Canberra, the most important defence issue will be the avoidance of conflict between Papua New Guinea and Indonesia over the Indonesian province of Papua. Australian defence planners would not want to be drawn into such a scenario on the long and rugged Papua New Guinea-Papua border. The classified version of the author's *Review of Australia's Defence Capabilities* in 1986 concluded that in such a scenario it would be impossible for even the full resources of the Australian Army and its Reserve component to defend this border.<sup>70</sup> Short of such an extreme scenario, a major breakdown of security in Papua New Guinea could see the

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<sup>69</sup> Coral Bell, 'Living with Giants: Finding Australia's Place in a More Complex World', *Strategy* (Canberra: Australian Strategic Policy Institute, April 2005).

<sup>70</sup> Dibb and Brabin-Smith, 'Indonesia in Australian Defence Planning', pp. 84-5.

commitment of a major part of the Australian Army in a prolonged stabilisation mission, given the rugged nature of the geography.

#### **TIMOR-LESTE**

Timor-Leste will continue to be of concern because of its proximity to our northern approaches and its common border (like Papua New Guinea) with Indonesia. The consolidation of democracy in the 2012 presidential and general elections and Timor-Leste's potential for resource-based economic growth are promising forces for stability. However, as a comprehensive report by the Australian Strategic Policy Institute (ASPI) has noted, widespread poverty, high levels of illiteracy and a rapidly growing young population are serious challenges to forging a viable state.<sup>71</sup> Australia has a keen interest in seeing the success of democracy and the rule of law in Timor-Leste and that its military forces remain focused on external defence activities and not domestic politics. Dili's very important relations with Jakarta seem to be on a workable footing, not least because of the decision by the Timor-Leste leadership to leave the past behind them. It is not in Australia's interests for there to be tension between Timor-Leste and Indonesia. Timor-Leste's relations with China, however, are of potential concern: as the ASPI report observes, the increasing assertiveness and almost certain expansion of China's 'soft power' approach towards Timor-Leste will challenge Canberra's political influence.<sup>72</sup> If a military base were to be established at some future date in Timor-Leste by a growing and assertive China, Australia would be deeply concerned. This seems an unlikely prospect.

#### **NEW ZEALAND**

New Zealand will continue to be Australia's closest ally and most reliable defence partner in the neighbourhood. Although its defence force will increasingly lag technologically behind that of Australia, it is well suited for operations in the Southwest Pacific and in places such as Timor-Leste. It will not, however, be relevant to Australian high-tempo military operations to defend our northern approaches, should they ever occur in future. Even so, the ability of the NZDF to deploy a battalion group of capable infantry anywhere in the Southwest Pacific and be able to maintain a high degree of interoperability with the Australian Defence Force is a valuable strategic asset for Canberra. It will be important for the two defence forces to plan potential operational scenarios in the Southwest Pacific together. This might include joint operations using Australia's soon to be delivered large amphibious ships, which are capable of carrying 1000 troops. There will be

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<sup>71</sup> 'A Reliable Partner: Strengthening Australia–Timor Leste Relations', *Special Report* (Canberra: Australian Strategic Policy Institute, April 2011). The authors of this report are: Damien Kingsbury, Dionisio Babo-Soares, Vandra Harris, James J. Fox, Sam Bateman and Anthony Bergin.

<sup>72</sup> *Ibid.*, p. 4.

situations, however, where the 'lighter footprint' and less obtrusive nature of the NZDF may be preferable in certain Southwest Pacific situations.

#### **THE LONG-RANGE STRATEGIC OUTLOOK**

Lastly, there is the question of how the changing balance of power in the Asia-Pacific region, and particularly the growing competition between China and the United States, may affect the strategic situation in Australia's inner arc. The Southwest Pacific is unlikely to become an arena of serious military competition between China and the United States.<sup>73</sup> Their strategic priorities will be focused elsewhere on Northeast Asia, the South China Sea and the Indian Ocean. However, China's use of soft power is already seeing it gain influence in some parts of the region and its defence relations with Fiji and Timor-Leste are becoming of some concern. There may be situations in which China understandably uses its military forces to evacuate its growing number of citizens in a regional crisis. But the most serious development would be if China developed a military base in Australia's neighbourhood. As the 2009 Defence White Paper observed: what matters most from a strategic point of view is that no major military power that could challenge the control of the air and sea approaches to Australia has access to bases in our neighbourhood from which to project force against us.<sup>74</sup> China has no military bases overseas. In the highly unlikely event that such a development was to occur in our neighbourhood, however, it would have serious implications for Australian defence planning.

Beijing is much more likely to be interested in trying to gain influence in Indonesia because of its key strategic position astride vital straits connecting the South China Sea with the Indian Ocean. Australia has a keen strategic interest in seeing a resilient Southeast Asia, with Indonesia as its natural leader, which can cooperate to prevent the intrusion of any potentially hostile external power. This is also an approach that should resonate with Indonesia's own perception of its national resilience and its tradition of non-alignment.

The rebalancing of US forces to give greater emphasis to the Asia-Pacific region is partly in response to the build-up of China's military capabilities, particularly its navy. From a defence policy perspective, a modest increase in the US naval, air and Marine presence in Australia provides reassurance

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<sup>73</sup> Matthew Hill, 'Chessboard or "Political Bazaar"? Revisiting Beijing, Canberra and Wellington's Engagement with the South Pacific', *Security Challenges*, vol. 6, no. 3 (Spring 2010), pp. 41-58. See also Joanne Wallis, 'The Dragon in our Backyard: The Strategic Consequences of China's Increased Presence in the South Pacific', Australian Strategic Policy Institute Blog, *The Strategist*, 30 August 2012, <<http://www.strategist.org.au/the-dragon-in-our-backyard-the-strategic-consequences-of-chinas-increased-presence-in-the-south-pacific/>> [Accessed 27 October 2012].

<sup>74</sup> Department of Defence, *Defending Australia in the Asia-Pacific Century: Force 2030*, p. 42.

and reinforces the protection of our vulnerable northern approaches.<sup>75</sup> It also has the potential to support our strategic interests in the immediate neighbourhood. For instance, the presence of 2500 United States Marines in Darwin by 2015 will have the capability to mount humanitarian and disaster relief operations in the Southwest Pacific and Indonesia. Were higher level contingencies to occur, the greater use by the US Navy of Australia's major naval base at HMAS Stirling in Western Australia would significantly reduce the time taken in a crisis for the United States to deploy into Australia's key area of strategic interest, including our neighbourhood. Combined Australian and US (and New Zealand) forces may also be relevant to a wider range of moderately likely scenarios in the inner arc over the next twenty years or so. As America 'pivots' back to the Asia-Pacific, Australia post-Afghanistan should complement this shift by refocusing on its vital strategic interests in its own neighbourhood.

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<sup>75</sup> Paul Dobb, 'Modest US Military Presence is in our Interest', *The Australian*, 4 May 2012. See also Nick Besley, 'No Hedging in Canberra: The Australia-US Alliance in the Asian Century', *Asia Pacific Bulletin*, no. 157 (Washington DC: East-West Center, 3 April 2012). Some commentators view the US Marine presence in Darwin as a loss of independence that is not strategically necessary.