Public Submission to the
Defence White Paper 2015
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Executive Summary

Australia’s international engagement has become more sophisticated and proactive in recent years. There is a strategic confidence that is more evident now than perhaps has been in the past. This willingness to contribute to international peace and security issues places Australia in a strong position to influence how the international system relates to the rise of China, as well as the growing economic influence of other key regional nations such as India and Japan. While the US alliance will continue to be the cornerstone of Australia’s defence policy, it also provides the opportunity to influence US thinking on the changes taking place in the region.

The Australian Defence Force represents the key capability available to Government for responding to a range of potential threats and challenges. Balancing a mix of technologically advanced capabilities with the capacity to undertake an eclectic mix of missions will remain a key challenge for defence policy makers. Australia’s track record to date however is strong. A range of reforms within the Defence portfolio, alongside improved budgeting and governance arrangements, has delivered an ADF and supporting Defence administration that is referenced as a global benchmark.

A key challenge for policy makers remains, defining the role of industry in supporting Defence. There is a broad diversity of local industry capabilities that have flourished on the basis of innovation and technological investment. While defence capability cannot be defined purely by the capacity of local industry, there is a longer term policy balance to consider in terms of supporting sustainable innovation and investment, while providing the flexibility necessary in procurement.

On balance, the underlying approach to Australia’s defence policy remains strong, and the challenge for policy makers is to define the nuanced changes that support Australia’s sophisticated and considered international engagement.
Introduction

CMAX Advisory welcomes the opportunity to provide a submission as part of the Defence White Paper 2015 public consultation process. CMAX Advisory contributes its insights based on extensive experience within national security policy-making, and working with industry partners in the Australian and United States’ defence landscape for over a decade. Through our engagement with stakeholders in the public, private and academic spheres we also offer insights on the broader policy issues facing Australian defence planners now and into the future. CMAX Advisory welcomes the publication of this submission by the Department of Defence.

Strategic Outlook

Australia has entered the second decade of the 21st century in a relatively strong economic position, with growth forecast to continue at better than 2.5% per annum. Living standards are high, unemployment is close to historic lows and Australia’s economic growth has continued for more than 20 years on the back of robust economic reforms implemented by both sides of politics.

Aligned with this continuation of economic growth has been an equally significant, more confident approach to international relations. In broad terms, Australia has since 1999, been more active within the international system. Although Australia has played significant roles in specific international issues over time (for example nuclear non-proliferation; as a non-permanent member of the United Nations Security Council), there has been a more sustained engagement internationally by Australia over the past 15 years and the intervention in Timor Leste. This deeper and more sophisticated engagement has taken the form of military action with allies, through to enhancing multilateral fora such as the G20, and East Asian Summit. Australia’s understanding of strategic interests and how to pursue them, has seen a more proactive and confident engagement with countries in the region, as well as further abroad.

In the time since the last Defence White Paper in 2013, the global security situation has continued to be characterised by instability across the Middle East and parts of Africa, while strong economic growth throughout Asia has seen increases in defence spending in these regions. The continuing rise of China, an aggressive Russia and spike in violence brought to the Middle East by the terrorist organisation Islamic State for Iraq and Syria, all shape the way in which countries identify their interests, and shape their responses. Rather than focussing however, on the changes since the last White Paper, it is more constructive to consider trends across longer timeframes.

The reality of events facing the international community through 2014, seem to reinforce the view that non-state actors continue to have the motivation, organisation, and means by which to undermine international peace and security. The international community again finds itself drawn

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into armed conflict with non-state actors able to exert extraordinary influence in a region deemed critical to the strategic interests of the developed world in particular. While the threat posed by such groups has focussed the attention of Australian policy makers since 2001, strategic security challenges remain in other policy areas also.

Trends in international security over the past 15 years have included transnational terrorism (al Qaeda; Jema’ah Islamiyah), instability resulting from state failure, and nuclear proliferation. While these trends align with traditional conceptions of security, it is worth noting the trends around non-traditional security including the threats posed by international pandemics (such as the current ebola crisis), climate change and the inherent impact this will have on access to basic resources including water and food, and growth in the number of internally-displaced persons and the subsequent increase in global refugee numbers. This broader discussion of human security has altered the debate around how governments should protect their populations. While military force remains a fundamental capability of governments for addressing national security, there is an increased understanding that national security is dependent on harnessing all relevant policy and delivery capabilities of the state.

Thinking beyond the persistence of global terrorism, the most significant trend to manifest in the recent past is the shift in economic and military weight to the Indo-Pacific region. Military expenditure globally has fell in 2013 by 1.9%, however this change is largely a result of the substantial decreases in defence spending across North America, Western and Central Europe, and Oceania². Put another way, the United States, NATO and Australia have all decreased their defence spending. At the same time, however, military expenditure in every other region globally, has increased. In Asia spending increased by 3.6% in 2013³. China’s spending rose by 7.4% and spending in South East Asia rose by 5.0%⁴. This growth in military spending is largely reflective of the shift of economic growth away from Europe and North America, to Asia. The rationale provided for this increased expenditure by many countries in the region is the need to upgrade out-dated military capabilities in order to maintain effective military deterrents. Increased military expenditure in the Indo-Pacific region is concerning though for its lack of transparency in many cases. Moreover, many of the investments being made are in advanced military capabilities including submarines, advanced missile technology, nuclear forces, and cyber warfare.

These global security trends and the attendant increases in military expenditure, particularly in the Indo-Pacific region, suggest the international community may be entering a period of increased uncertainty and risk. The oft-quoted ‘rise of China’ appears at face value to support the need for pessimism in terms of the impact on global security. There is a widely-held view in some quarters, including the United States and Australia, that seeks to draw a causal comparison between the events leading up to the First World War, and the strategic circumstances the world finds itself in now. That view, when taken to its logical policy-making conclusion, suggests the need for Australia

³ Ibid.
⁴ Ibid.
to draw closer to the United States and hedge against China. The need to choose between the United States and China is presented by some as the defining strategic decision of the 21st century.

Framing Australia’s strategic circumstances as requiring a choice between the United States and China would be limiting in respect of Australia’s potential international engagement. As discussed earlier, Australia has developed a strong, mature, pragmatic and generally well-respected approach to dealing with myriad foreign policy and security challenges over the past 15 years. While much of this approach has been consistent with supporting US leadership globally, much of Australia’s contributions have provided nuance and detail to the way in which issues are addressed. Alongside an enhanced international engagement has been economic growth largely sustained on the back of an enormous and growing trade relationship with China. These two relationships are not mutually exclusive, rather they are mutually reinforcing for Australia.

The US Alliance and International Engagement

CMAX Advisory operates in both Australia and the United States, in recognition of the strong partnerships which exist between industries in both countries. Certainly, the United States is re-investing in the Indo-Pacific region and re-establishing its presence through partnership arrangements with regional allies. This is the result of a strategic analysis in the US which is seeking to restore the relationships it has in the region, partly as a way of balancing against China. This re-balancing is taking the form of not only strengthening military relationships, but also through enhancing economic engagement. The United States is seeking to strengthen economic growth in the region through implementation of the Trans-Pacific Partnership. The TPP has an inherent impact on the future security and stability of the region if China does not participate in it. Creation of a multilateral arrangement that brings together the majority of countries within the region and across the Pacific, will establish a framework of exclusion if China is left out. The combination of strengthening military ties across the region, alongside deeper and exclusive economic arrangements, has the potential to isolate China in such a way that it believes undermining security and stability is in its interests in order to balance against US primacy. The challenge for Australia is to shape United States’ and regional thinking in such a way as to create space for China within the region, while incentivising engagement. Australia is already playing a strong role in providing opportunities for the People’s Liberation Army (PLA) to participate in joint exercises with the United States, and these opportunities allow all participating forces to build awareness of capabilities in a way that builds trust, but also reinforces deterrence.

Beyond the US-China debate, Australia’s attention will also be focussed on other significant relationships in the region. The strong relationship Australia has with Japan has been reinvigorated in recent months. Growing the economic relationship through finalisation of the free trade agreement is a significant enhancement of the relationship. The deeper strategic engagement through the Trilateral Strategic Dialogue with Japan and the United States serves to highlight the importance of engaging with regional allies and partners to provide stability in the region.

India’s economic growth, size and geographic location mean its strategic importance continues to grow. Australia’s trade relationship with India now ranks as its 5th most important, and enhancing that relationship will continue to be a priority. Much work has been invested in re-invigorating the
defence relationship with India, including signing a Joint Declaration on Security Cooperation. Continuing to build defence links with India will be important, particularly focussing on the opportunities present in maritime security.

Australia’s relationship with ASEAN is important in contributing to regional peace and stability. The role ASEAN plays as the key multilateral institution bringing together Southeast Asian countries, is important for developing considered and consistent approaches to security within the region. Australia’s engagement with ASEAN through the Regional Forum, and Defence Ministers’ Meetings, provides the opportunity to influence and strengthen relationships. The capacity building and training provided by the ADF across a variety of capabilities (for example, humanitarian and disaster relief), strengthens not only the capacity of regional militarys to respond to crises, but also enhances the trust and engagement Australia has with the region.

National and strategic interests

National interests are not a neatly defined list of priorities developed from one government to the next. Rather a framework of prioritised themes is applied to decision-making that will impact on Australia’s social and economic stability and sustainability. Australia’s national interests are defined within the context of supporting free trade; the rule of law; a rules-based international order; and international and regional institutions.

Australia’s strategic interests are informed by understanding the strategic environment and the current and potential threats that shape and influence Australia’s security. Australia’s strategic interests stem from the need to ensure a secure Australia, that contributes to security within the region, and where possible, around the globe. It is certainly within Australia’s strategic interests to support peace and security through multilateral and bilateral arrangements (including principally, the United Nations), enhancing cooperation amongst strategic partners, and supporting regional architectures such as the East Asia Summit, ASEAN Regional Forum and ASEAN Defence Ministers Meetings that all support regional security.

Australia’s defence policy needs to be calibrated in such a way that it can support the strategic interests. Australia currently maintains strong defence relationships with a range of countries around the globe. The nature of these relationships varies, however all of these relationships are built on a strong commitment from Australia to provide expertise and capacity building where appropriate.

The Australian Defence Force needs to be structured in such a way that it can provide a credible deterrence to the kinds of threats that are most likely to materialise, and be able to deal with those threats. In addition however, the ADF needs to be structured so that it can contribute to Coalition operations overseas; participate in, and lead peacekeeping operations, around the globe; provide humanitarian and disaster relief capability in the region when required; and provide assistance to the civil community in Australia at times of natural disasters. This spectrum of operations represents a necessary limiting function on the type of force structure that is necessary for the ADF.
Defence Industry

At a time of significant strategic shifts and modernisation opportunities facing the defence industries, CMAX Advisory’s engagement with industry partners operating both locally and globally reveals a broad range of issues and interests for 2015 and beyond.

The linkage between Defence policy and industry policy has been highlighted in the public domain recently, particularly in light of future naval capabilities. The need to maintain a baseline level of Defence industry capability in Australia appears to have broad support from political leaders. However, there remains for discussion identifying which capabilities should be retained, and what support the Government should be providing. On the one-hand, Governments desire providing a 5th-Generation defence capability, however on the other Government support needs to be targeted towards supporting industries that are sustainable. Some of the larger Defence procurement programs for the ADF, are time-limited and occur only once every 20-30 years (for example, submarines, new fighter aircraft). There is a case for supporting an industry base in Australia that is able to contribute to the capabilities required for the ADF, while seeking to ensure the longevity and transferability of capacity to other projects when Defence is not drawing on them. Taking such an approach would seem to suggest merit in moving towards supporting those high-end, innovative industries that are able to deliver to not only Defence capability, but also other industry applications. Moreover, Government would be well-served to consider enhancing ways in which local companies can be included in the global supply chains of multinational Defence companies.

Australian Defence Capability

Striking a balance

Development of a force structure and defence capabilities needs to be aligned with the likely spectrum of operations described above. However, fiscal and other resource constraints require the Government to prioritise. The ADF needs to be able to provide a credible deterrent to the likely threats to Australia, while also being capable of contributing to peacekeeping, stabilisation operations, humanitarian and disaster relief, and coalition operations. Australia’s alliance with the United States, and the practical cooperation that supports intelligence, communications, logistics and other enabling functions, would see Australia continuing to be part of US-led Coalition operations into the future.

It is apparent over successive Defence White Papers, that Governments seek to balance a core set of capabilities against the likely spectrum of operations that the ADF might reasonably be expected to participate in. Governments have in the past supported those capabilities that provide the duality of delivering a technological edge comparatively to other militaries, while also being interoperable with Australia’s allies, principally the United States. Examples of such capabilities include high value contributions such as the EA-18G Growlers and the decision to replace the six Collins-class vessels.
The challenge for Government and defence policy-makers is balancing acquisition of high value contributions, with the expense that entails (a 5th Generation force), against developing a force that has fewer capabilities, but can be delivered at a lower cost. Previous Governments have found it challenging to strike the right balance that sees valuable capabilities being delivered on time, and at an acceptable cost. The current Government has taken strong steps to ensuring that the proposed force structure for the ADF provides the basis for a credible funding program that can be supported by the Defence Budget with a high degree of certainty. The capabilities that have been identified to date as being fundamental to the ADF’s ability to operate across the broad spectrum of operations outlined above, include the MQ-4C Triton unmanned aerial surveillance vehicle, P-8 Poseidon maritime patrol aircraft, F-35 Joint Strike Fighters, and new submarines. In addition to these, a range of capabilities are either recently, or close to being deployed including the C-17 heavy lift aircraft, air warfare destroyers, the new amphibious landing ships. These investments complement the reforms within the ADF that are aimed at supporting joint operations. The army in particular will be a beneficiary of these reforms and the new force structure, as it is more closely integrated into operations with the navy and air force, on the back of experience gained over the past 15 years of operations.

Whole-of-Government capabilities

Following from investments identified above, threats to national security exist that require sophisticated, new technology to meet them. Cybersecurity is a uniquely 21st century threat that requires new thinking and approaches, as well as investments in difference kinds of capabilities. The need to not only adequately resource Defence and other national security agencies to meet this threat, but also to ensure they have the structures in place to work together, means new organisational approaches and mandates may be required. For example, the United States military has its own Cybersecurity Command, noting there are a range of other agencies that contribute to the effort outside of the Defence Department. The Australian national security context with its history of strong whole-of-government approaches, would seem to mitigate against establishment of new agencies, however the structures that exist to meet the cybersecurity threat should continue to be robustly scrutinised to ensure there is fidelity within the system.

In the recent past, the ADF has been required to contribute to or lead humanitarian and stabilisation missions in the Pacific region, including in Timor-Leste and Solomon Islands. The ADF has been increasingly involved in Australia’s border protection regime, through Operation Resolute and more recently as part of Operation Sovereign Borders, as well as playing a role in Australia’s response to other crises, such as the MH390 and MH17 disasters and the 2004 Boxing Day Tsunami.

If the Defence White Paper foresees a continuing role in such operations for the ADF, it will be important to understand how Defence organisationally will be equipped for such missions. The Australian Civil-Military Centre has been successful in building policy and organisational linkages across those agencies that have roles to play in contributing to peace and stabilisation operations across the region. If the ability for the ADF to participate in and lead regional stabilisation and disaster relief operations continues to be important, then the ability for Defence personnel to interoperates with other national security, law enforcement agencies and central agencies must be treated as a core capability for the ADF. Further investment in the ACMC capability should be
considered such that the policy processes that fuse together advice for Government from agencies continues to be strengthened and informed by Australia’s operational experience. While the AMC has flourished within the Defence portfolio, the time may be ripe to consider centralising the capability in order to provide a more holistic approach.

**Defence Budget and Governance Reform**

The Defence Budget represents around 1.7% of GDP. Much has been made of this figure, and the need prima facie, to increase defence spending. The current Government has committed to increasing Defence spending and returning the Defence Budget to 2% of GDP by 2023-24. The commitments made in Defence procurement are substantial and often represent investments in cutting-edge technology. This approach is important in Australia, because as described above, one aspect of the ADF’s key capabilities is to maintain a technological lead over competitors. The Defence Budget then, will always represent large investments of public funds.

It is important that, while the investments are large and worthwhile, the capability required for the ADF should be the key factor and not solely the proportion of GDP funding that goes to Defence. Capability required and finding availability are two mutually reinforcing discussions to have in Defence planning. Robust public policy should take into account the balance required in establishing what the capability required is, and how that will be paid for and sustained. Allowing one or the other of these two analytical requirements to dominate, undermines the robust defence planning that Government and the Department is capable of, and that the public expects.

The Defence Department has been the subject of numerous reviews over the past 25 years. There are a series of reviews initiated in the recent past, the recommendations for which are still being applied throughout the Department. In addition to this work, there are further reviews, (including the Defence White Paper 2015, First Principles Review and review into the Air Warfare Destroyer program), that have been begun since the September 2013 election. The substance and recommendations that have been delivered through reviews into Defence management and governance are incredibly important in continuing to shape Defence to deliver best-practice public policy outcomes. Government and Defence leaders have worked hard to implement the recommendations from these reviews, however it is important to note the balance that needs to be struck between continuing to review Defence structures and practice, and the providing the time necessary to monitor and assess implementation. The results of ongoing reform in Defence are recognised globally-in 2013, Australia’s Defence governance arrangements were recognised by Transparency International as being world’s best-practice\(^5\).

Summary

Australia’s international engagement has become more sophisticated and nuanced in the recent past, and Defence policy is an example of that. Achieving balance in Defence policy that supports our allies, while also creating room for new partners, will continue to be a challenge. Domestically, determining the appropriate way in which to support industry without limiting defence capability options, will also require attention by policy-makers.