Operations and Capability Program

ASPI
AUSTRALIAN STRATEGIC POLICY INSTITUTE

Beyond Bali

ASPI's Strategic Assessment 2002

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Level 2, Arts House
40 Macquarie Street
Barton ACT 2600
AUSTRALIA

Email jointhedebate@aspi.org.au

Facsimile +61 2 6273 9566

Cover pic

Scene of bomb blast, outside Sari Club, Bali
14 October 2002. AAP/Dean Lewins © 2002 AAP

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ASPI's Strategic Assessment 2002

Prepared by
Mr Aldo Borgu
Program Director
Operations and Capability Program
with assistance from:
The Director and Staff of the
Australian Strategic Policy Institute

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ASPI
Level 2, Arts House
40 Macquarie Street
Barton ACT 2600
Australia

Telephone +61 2 6270 5100
Facsimile +61 2 6273 9566
Email enquiries@aspi.org.au
Web www.aspi.org.au

Borgu, Aldo.

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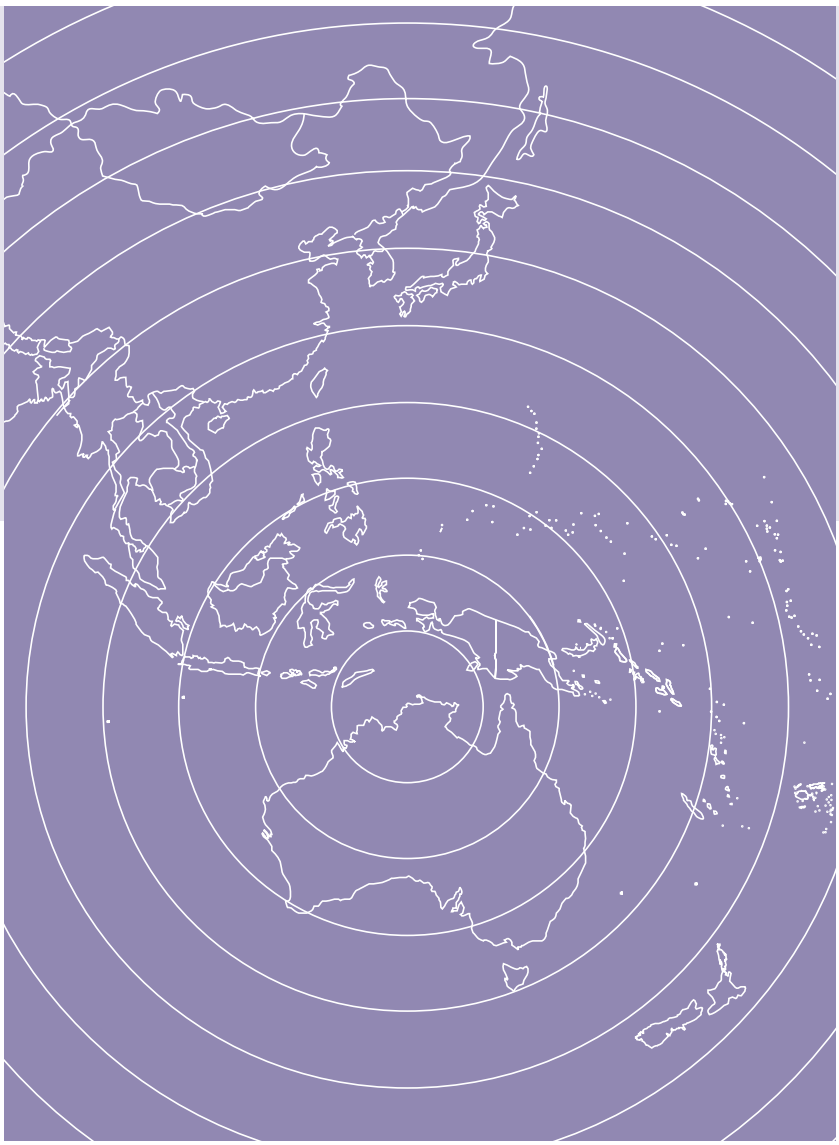

Director's introduction

These are testing times for Australia and for Australia's security policies. It is now almost two years since the *Defence* 2000 White Paper set out the Government's plans for Australia's strategic policy and defence forces over this decade and beyond. So even without the tragic events of 11 September 2001 and 12 October 2002, a review would be timely. The rise of terrorism as a threat, globally, regionally and to Australia specifically, makes a review both urgent and imperative.

This Policy Paper, which is ASPI's first annual strategic and security policy review, identifies three core challenges which we believe Australian policy must address now and over the coming years.

The first of course is terrorism. We face an unprecedented risk from terrorism, and our most urgent policy priority must be to respond effectively. In this paper we propose some specific measures to achieve that, with top priority on enhancing our intelligence effort against the terrorism target. They should be implemented swiftly.

The second challenge is to focus Australia's wider international posture more effectively on those approaches which will do most to stop further deterioration in our security environment in the Asia Pacific over coming years. While we deal with the immediate threat of terrorism, we need to work as well to minimise future risks, drawing on all aspects of our policies in an integrated national security approach. This paper suggests three priority issues for Australia's international security policy over coming years.

Thirdly, we need to maintain the momentum in developing our defence capabilities which was launched with the Government's Defence White Paper in 2000. Some changes are needed to ensure that the Australian Defence Force has the capabilities it needs to play its part in the campaign against terrorism. But it will not have the leading role in that campaign: intelligence services, police forces and other civil authorities will be at the forefront and need most of the additional resources. Defence does face

major problems, however, in delivering on the Government's plans. There are real questions about whether Defence can produce the capabilities called for within the budgets allocated, even though the government has provided large and sustained funding increases.

Prior to the Bali bombing and to support the development of this paper ASPI conducted a small public consultation exercise. This was our first venture in what will become an ongoing program of public debate initiatives. We were pleased with the public response.

As the Government considers both the Defence Annual Strategic Review and the Foreign Affairs White Paper, we have prepared this Policy Paper to offer the Government and the public an independent view of Australia's security needs. We have aimed to present clear proposals for an effective response to the threat of terrorism. But we have also wanted to look beyond that urgent need, recognising that Australia has other long-term strategic interests and priorities which we must keep in view.

In a paper like this we have been selective, so we have concentrated on those issues which we see as being most important to Australia's security. We have not tried to develop fully detailed policy proposals; instead we have aimed to offer a broad overview of policy imperatives. Many of the issues we raise will be developed in more detail in ASPI publications over the coming year. We have kept our focus on practical issues—questions about what Australia should be doing—rather than on speculations about the changing nature of the international system.

Our approach reflects a number of underlying principles:

- Taking a long-term view of our security needs, as well as responding to immediate demands.
- Taking an integrated approach which sees all aspects of policy contributing to a broad national security strategy.
- Matching the right tool to the job, recognising the different kinds of contribution that can be made by our armed or police forces, intelligence, diplomacy and other elements of our overall security posture.

This paper was developed by ASPI's core staff, and especially by our Operations and Capabilities Program Director, Mr Aldo Borgu. I'd like to thank Aldo and our colleagues for their efforts. As with all of ASPI's publications, the views expressed in this report are not to be taken as expressing the views of ASPI as an institution: responsibility for the views herein rests with Mr Borgu, and with myself as Director.

Hugh White
Director

Executive summary

Beyond Bali, ASPI's first annual strategic and security policy review, identifies three key challenges which we believe Australian policy must address over the coming years.

Challenge One: Terrorism

Terrorism is now a major security problem for Australia, and our most obvious strategic policy challenge is to find effective and proportionate responses to it. We need to prioritise according to one simple principle: while all aspects of the campaign against terrorism are important, priority should be given first to domestic efforts here at home, second to regional measures, and third to our contribution at the global level.

We should now rate the risk of terrorist attack on Australia, and on Australians overseas, as *High*. We now need to approach the task of responding to terrorism on the basis that further attacks on Australia or Australians are more likely than not.

To respond to this changed threat environment the Government should develop a single, integrated national counter-terrorism campaign under unified direction, responsible for all aspects of Australia's counter-terrorism response.

Within this campaign two urgent needs stand out. First, we should increase resources to intelligence agencies, particularly to ASIO, and integrate their counter-terrorism efforts. Second, we need to improve our ability to recover from a major terrorist attack. Most of the response should fall on civilian agencies, including the State and Territory governments, not on the ADF or Defence.

The risk we face from terrorism has a strong regional component. The two main areas for greater regional cooperation are intelligence and building capabilities to help recover from mass terror attacks. We also need to maximise our influence and presence in the region through ASIO, the AFP and our embassies and improve the ADF's capability to evacuate Australians from regional hot spots.

Challenge Two: Ensuring Asia Pacific security

While we must give highest priority to responding to the threat of terrorism, Australia must also keep focus on our long-term security environment in the Asia Pacific. Three major issues demand our attention.

Firstly, Australia's overarching interest in a stable region is threatened by the possibility that America and China might drift into animosity or even war in coming years. Tensions could be brought to a head at almost any time by a crisis over Taiwan. Events on the Korean Peninsula are another source of instability.

Australia's long-term security requires us to become more actively engaged in influencing the policies and attitudes in Washington, Beijing and elsewhere which will shape the Asia Pacific in the future. First we need to sort out what we think ourselves. Then we have to work harder to convey these views where they count.

Secondly, the Bali bombings have reminded us how important Indonesia's security is to our own. We must do whatever we can to support and strengthen the development of democratic government in Indonesia. A return of authoritarian, military-backed government in Indonesia would be a bad outcome for Australia.

That means we need to work with institutions such as the Indonesian police and judiciary in combating terrorism rather than primarily focusing on relations with the Indonesian armed forces. The Government also needs to re-establish the sense that Australia and Indonesia have basic strategic interests in common, including Indonesia's territorial integrity.

Finally, three of our closest neighbours—Papua New Guinea, the Solomon Islands and Vanuatu—are struggling to survive as functioning nations and societies. Australia can no longer avoid being drawn too closely into the management of their internal affairs. We need to look at a new and more active role in helping these countries get back on their feet.

Challenge Three: Reshaping and delivering the ADF

The events of the past two years, including the increased threat of terrorism against Australia, have not reduced the long-term priority we need to give to the defence of our own country or protecting our interests in Australia's immediate neighbourhood.

In order to develop additional capabilities to contribute to wider coalition operations, the best approach would be to deliver the capabilities already present in the Defence Capability Plan. If significant additional funding was allocated to Defence two areas have priority: purchase of an additional two airborne early warning and control aircraft and increasing the size and capability of the Army's land forces.

The lessons of Afghanistan serve to reinforce the need for lighter, more lethal and deployable joint forces that will be networked in order to conduct highly complex operations over vast distances. More needs to be done to evolve the ADF to meet the challenges of the 21st century.

The biggest uncertainty in the Defence Capability Plan is the future of the F/A-18s and F-111s. The new Joint Strike Fighter may not be in service before our existing aircraft retire. To get a strategically viable interim fleet, we may need to find several billion dollars more over the next few years.

Large increases in Defence spending are not needed to respond to the terrorist threat. The Government should restrict any rise to that absolutely necessary to meet the long term needs of the existing Defence Capability Plan, especially while questions remain over Defence's ability to manage its finances. And before doing so it should ensure that any increased costs are not the result of mismanagement, capability creep or 'gold-plating'. Some increased level of discipline and accountability is required.

More effective reform of Defence is the most urgent long-term defence policy challenge the Government faces. It needs to focus on four issues: establish who is in charge of what; expand Defence's skills base; get financial management under control; and explore how to allocate jobs most cost-effectively between Defence's uniformed, civilian and contractor workforces.

CHALLENGE

1

Terrorism

Terrorism is now a major security problem for Australia, and our most obvious strategic policy challenge is to find effective and proportionate responses to it. The Bali bombing on 12 October 2002 confirmed and amplified a judgement made after 11 September 2001: the risk to Australia from terrorism has increased sharply, and is likely to remain relatively high at least in the medium term.

Of course the Government's first task is to respond effectively to the Bali bombing itself, and to manage the short-term risk of further attacks. But here our focus is on the longer-term policy challenge: how do we adapt to an environment in which a relatively high risk of mass terrorism is a key element in the global security situation, and an enduring part of Australia's own security environment?

The risk to Australia from terrorism has increased sharply, and is likely to remain relatively high at least in the short-to-medium term.

Assessing the risk

'Terrorism' is an amorphous concept, and usually the word is used as shorthand. It is more accurate to speak of a threat not from terrorism as such, but from the use of terrorist operations and tactics by groups or individuals. Indeed Australia's concerns with this possibility are not amorphous at all, but quite specific. There are five types of risk we need to address.

Police officers inspect the Bali bomb site. AP via AAP © 2002

- Globally or regionally networked groups could mount major terrorist attacks in Australia.
- Australia's interests, including the lives of Australian citizens, could again be hit by terrorist attacks overseas.
- Significant terrorist attacks could be launched in Australia by individuals or groups with no international connections.
- Regional terrorist attacks could have broader consequences that would adversely affect stability and security in our immediate neighbourhood.
- Australia's wider interests—political, strategic or economic—could be affected by terrorist attacks elsewhere that result in a general decline in world order and a reversal of the gains of globalisation such as freedom of travel and wider investment.

How big are these risks, and where exactly do they come from? Terrorism has been a key security issue in many parts of the world—including in some parts of our own region—for many years; why exactly is the threat to Australia higher now? The answers involve both global and regional factors.

Global factors

The significance of terrorism for Australia's security has been sharply increased by two global trends which have become apparent particularly since September 11. Taken together these trends mean that further major attacks by international terror networks on 'Western' targets are highly likely. While they may involve only relatively conventional means of attack, some attacks at least will aim to kill large numbers of people, and we cannot rule out the possibility that future attacks will successfully use weapons of mass destruction (WMD).

Militant Islamic networks

The first of those global trends is the emergence of a loose international network of militant Islamic groups willing to undertake large-scale terrorist attacks on targets associated with the West.

It is important to keep this phenomenon in perspective. Some believe there is a militant Islamic fundamentalist movement that poses a threat to 'the West', including Australia, comparable with that posed by fascism or communism in the twentieth century. These analogies are inflated and counterproductive: by exaggerating the problem, they make it harder to decide how best to respond. And they make it harder to treat sensibly the role of Islam in the problem. It should go without saying that Islam itself is not the issue here.

The reality is serious enough without any exaggeration. The network is not a formal hierarchical organisation with clear lines of command, and the extent to which activities are directed or even coordinated between groups and regions is unclear. Its resources are not vast—being far smaller than those of all but the smallest sovereign states or of many large companies. But it can attract the loyalty and fund the activities of small numbers of capable and determined people who can do a lot of harm and already have done so.

Mass terror

The second development at the global level, seen first on September 11 and reinforced on October 12, is the use by terrorist networks of mass casualty tactics. The hijackings and hostage takings which were very much part of the pattern of terrorism in the 1970's have given way to attacks that aim at maximum casualties. Such attacks do not require exotic technology or extensive resources, as both the September 11 and October 12 attacks showed. But they do require organisation and imagination.

This shift in tactics reflects a difference in the political objectives of today's global networks compared to those of their predecessors. Unlike organisations such as the Palestine Liberation Organisation or the Irish Republican Army, al-Qaeda and its affiliates do not want negotiation, compromise or concessions, and are not trying to build support within existing political frameworks. There may therefore be no constraints on the scale of violence they use, and no level beyond which they might think that carnage would become counter-productive to their aims.

It is in this respect that we face an increased risk of terrorist attacks using WMD: that is, chemical, biological, radiological or nuclear weapons. There has long been a danger that WMD might fall into the hands of terrorists, and that danger increased sharply when the Soviet Union fell apart and control over its huge arsenals of WMD became, at least temporarily, less assured. The difference now is that groups like al-Qaeda have not just the resources to acquire and use such weapons but also the will to use them to achieve mass casualties. Many of the technical constraints on terrorists effectively using WMD may be overcome through the use of suicide terrorism. The risk of WMD terrorism must therefore be assessed as being markedly higher than in the past—a significant risk indeed.

There are also risks, however, of the threat of WMD dominating our thinking to the exclusion of the threat of other more conventional terrorist weapons. Indeed, rather than highlighting the potential use of WMD, the attacks of September 11 and October 12 showed that you don't need such weapons to have the desired effect of large-scale destruction and mass casualties.

Regional factors

Even before the Bali bombing, it was clear that the global problem of terrorism was not remote from Australia. On the contrary, circumstances in our immediate neighbourhood make it among the most vulnerable regions in the world to the operations of networks such as al-Qaeda.

Our neighbours in South East Asia—especially Indonesia, Malaysia and the Philippines —are on the frontiers of Islam, where it rubs up against other faiths and ideologies, and its role in society and national life is most open to contest. And, especially in Indonesia and the Philippines, governments are not strong enough to prevent a small minority of Islamic militants from cultivating links with terrorist networks. Even Singapore finds this task a challenge.

Osama bin Laden. AP via AAP © 1998

Abu Bakar Bashir. AFP/AAP/Weda; © 2002 AFP

Since September 11—and especially since a plan was uncovered in December 2001 for major bomb attacks in Singapore, including attacks on the Australian and US missions there—we have learned a lot more than we knew before about the presence of militant Islamic networks in South East Asia. Most attention has focussed on Jemaah Islamiah (JI), which is of course among the prime suspects in the Bali bombing, either directly or through connections with al-Qaeda.

JI is not a large and well-funded organisation. But it has an extensive network around our region, connections with militant Islamic elements in Pakistan and Afghanistan, a history of planning terrorist attacks, and a pattern of paramilitary training and covert conduct. Nor can we assume that it is alone. The economic, social, political and religious environment in a number of South East Asian countries is conducive to the development of other similar groups.

Circumstances in our immediate neighbourhood make it among the most vulnerable regions in the world to the operations of networks such as al-Qaeda.

While groups such as JI and others in South East Asia have important links to al-Qaeda, they were not created by al-Qaeda and do not necessarily depend on al-Qaeda for their existence or support. They are heavily rooted in the region, and many of their grievances are regional in nature, with some global underpinnings. The disruption to al-Qaeda operations through wide ranging international action in the past year seems to have resulted in the decentralisation of terrorist attacks to more regional and local groups. So it would be a mistake to concentrate solely on al-Qaeda. Destroying the al-Qaeda infrastructure in Afghanistan and Pakistan will not eliminate the terrorist threat to Australia in our region; in the short-term it might even strengthen regional networks.

The terrorist threat to Australia

In assessing the terrorist threat to Australia, we need to strike the right midpoint between complacency and unnecessary alarm. The interaction of the global and regional factors outlined above do constitute a serious and long-lasting change in Australia's security environment. The vulnerability of our South East Asian neighbours to Islamic militancy brings the threat of the global terror networks and the trend to mass casualty terrorism home to us in Australia.

While Australia has never been regarded as immune from the risk of terrorism, the bombing in Bali requires a major re-evaluation of the threat to Australia. We do not yet know, and may never know, to what extent the bombing deliberately targeted Australians as such. While there are some initial indications that Americans were the targets, unless and until we have clear evidence that Australians were not deliberately targeted, it would be only prudent to assume they were.

The targeting of Australians should not surprise us. Several factors contribute to Australia's profile as a potential target for militant Islamic terrorists: our geographical proximity to South East Asia, our close alliance with America, our relatively active role in the 'war on terror', and more generally our place as the most obviously Western country in this part of the world. Specific policy issues, such as our role in East Timor in 1999 and suspicions that we support Papuan independence, amplify the potential for animosity towards us in Indonesia especially.

JI is suspected of having active affiliates in Australia, and al-Qaeda personnel have taken an interest in Australia from time to time. There is, so far as we are aware, no evidence of active plans for terrorist attacks in Australia, nor has Australia itself been specifically identified in any of the intelligence warnings received by allies in the months since September 11. But one lesson of those attacks is that there is no reason to expect more detailed warnings.

Finally, we need to remember that terrorism is not an exclusively Islamic phenomenon. There may be an increased risk from groups and individuals on the extremist fringe of society—people like Timothy McVeigh, the Oklahoma Bomber, or Martin Bryant, the Port Arthur killer or the Washington sniper—who could be influenced by recent events to attempt mass casualty terrorist action.

All this draws us to an important judgement. After September 11, the Government upgraded its assessment of the risk of terrorist attack on Australia from *Low* to *Medium*. On that scale we should now rate the risk of terrorist attack in Australia, and on Australians overseas, as *High*.

To be more specific, Australia now needs to accept the probability that we may be the target of repeated attacks both at home and overseas as part of a wider campaign of terror by militant Islamic fundamentalists in South East Asia. The recent statements by Osama bin Laden singling out Australia has served as a useful reminder of the increased threat we now face. This is a situation we need to take very seriously, but we also need to keep it in perspective. The risk to individual Australians remains low—almost certainly lower than the risks we all face from other forms of accident or misfortune in everyday life. So this is a sobering and challenging conclusion, but not a cause for panic.

Australian soldier guards Australian Embassy in Dili, Sept 12, 2002. AP via AAP/Firdia Lisnawati © 2002

Responding to the risk

Responding to a high threat of terrorism does not demand major changes in the way Australians live, in the way our society operates or even in the functioning of our government. Sensible, prudent and relatively affordable measures can manage the risk down. But these measures need to be applied with energy and imagination in order to formulate responses to the threat at the domestic, regional and global levels.

Domestic responses

The biggest and most demanding changes need to be made in our arrangements here in Australia. The first challenge is to change the way we think about the problem. For many years—even during the exhaustive preparations for the Sydney 2000 Olympic Games, and even after September 11 last year—we in Australia have regarded terrorism as a theoretical possibility rather than a practical likelihood. We have not expected terrorist attacks, although we have prepared to respond just in case.

This state of mind needs to change. We now need to approach the task of responding to terrorism on the basis that we expect it to occur—that further attacks on Australia or Australians are more likely than not. That may not turn out to be so, but it is now the only responsible basis for government to plan on.

We have good foundations to build on. Australia is not a soft target for terrorists. Our intelligence services, police forces, immigration controls and defence forces all provide substantial and effective capabilities, and they were recently overhauled and upgraded for the Sydney Olympics. There have been further significant and valuable improvements since September 11. Nonetheless more now needs to be done.

Who is in charge?

The Commonwealth Government needs to respond to this qualitatively changed threat environment with a qualitatively different kind of approach to countering terrorism. The key to this new approach is a single, integrated national counter-terrorism strategy. The details of such a strategy will be complex, but the key principle is simple—what the military call 'Unity of Command', and what the rest of us think of as 'Who is in charge here?' This principle is not satisfied by the current arrangements.

The conduct of the strategy needs to be assigned to a single individual, responsible for all aspects of Australia's counter-terrorism measures—who might be called the National Director (ND) of Counter-Terrorism. The aim is not just to coordinate the efforts of different organisations and contributors, but to direct those efforts as a single strategy.

We should now rate the risk of terrorist attack on Australia, and on Australians overseas, as High.

This does not require the creation of a single giant bureaucratic organisation like America's Department of Homeland Defence. The capabilities and assets from different levels of Government that are needed for the counter-terrorism strategy should still be provided by the organisations now responsible for them. But they should be assigned to the ND, or be available for priority tasking when needed. There is a model for this kind of arrangement in the Australian Defence Force (ADF). On operations, forces provided by the single services are assigned to an operational commander, as for example General Cosgrove was assigned the forces that he commanded in INTERFET. Another model is the arrangements for security between the Commonwealth and NSW for the Sydney 2000 Oympics.

The ND should be a major figure, working directly to a cabinet minister. He or she would need a substantial but not immense staff, which would include the current dedicated counter-terrorism areas in the Departments of Prime Minister and Cabinet and the Attorney General. The ND would be responsible for policy and implementation of counter-terrorism measures. Clearly State and Territory governments would need to agree, and be willing to assign their capabilities to the ND for counter-terrorism functions. The current climate makes this probable. Organisation would be up to the ND, but one approach might be to divide the work into three elements; prevention, response and recovery.

Intelligence

The key to combating terrorism is good intelligence, and this is the area in which the Government should place the next highest priority in responding to the new terrorism threat. There are two key issues—one is the level of resources and the other is the degree of coordination.

The Australian Security Intelligence Organisation (ASIO) is the key agency in the intelligence campaign against terrorism. It is a highly capable organisation which received additional resources for the Sydney Olympics and a significant further increase late last year. Nonetheless it remains very small in relation to its responsibilities. At present ASIO's annual budget is around $86 million, just over one half of one per cent of the annual Defence budget. It has a staff of about 550, down from 726 in the mid-eighties.

ASIO covers wide areas of responsibility with these slender resources by careful risk management and rigorous prioritisation. These approaches were appropriate in the security environment of the past decade, but as long as we face the current high level of risk ASIO needs adequate resources to cover areas of interest much more comprehensively. As the risk has gone up, the threshold for investigation has gone down. So for the next few years, we will want ASIO to have the resources to leave no stone unturned. The Prime Minister has foreshadowed additional funds for ASIO and the Australian Secret Intelligence Service (ASIS). A substantial increase in its budget is required. And we also need to recognise the problem of the gap in time between allocating more money and delivering increased capability. So now there's an urgency to reduce that gap as much as possible and practicable.

Other federal intelligence and police agencies may also need more resources. Most have critical contributions to make to the intelligence campaign against terrorism, and they need resources to enable them to do so without detracting from other efforts which also retain high priority.

Director General of ASIO Dennis Richardson. AAP/Alan Porritt © 2002 AAP

But it's the coordination, rather than the raw increase, of all these contributions that is the second major requirement for a successful intelligence campaign against terrorism.

The various agencies now have more effective mechanisms to coordinate their separate efforts against the intelligence target. But the Government at present receives no single integrated intelligence product on the terrorist threat to Australia. Separate reports are produced by a number of agencies, reflecting their different sources of information and responsibilities. This diversity has the advantage of avoiding 'groupthink', and it should be preserved in any new arrangements. But it has the very serious disadvantage that the range of issues is not systematically brought together to give Government an overall picture.

The key to combating terrorism is good intelligence, and this is the area in which the Government should place the next highest priority.

One legitimate reason for the lack of integration in the intelligence effort on terrorism is the sharp and very proper separation in our system between domestic security intelligence and foreign intelligence. This separation reflects deep-seated intentions to protect the civil liberties of Australians from the actions of their own intelligence agencies, and the different legal frameworks in which foreign and domestic intelligence agencies operate. Such principles need to be preserved, but they should not preclude the development of a more intensive and totally integrated national counter-terrorism intelligence effort.

The principle we suggested for the coordination and development of counter-terrorism policy also applies to intelligence. The Government should establish an interagency counter-terrorism intelligence centre, under the authority of the new National Director of Counter Terrorism. It would be assigned the relevant capabilities and assets of the foreign and domestic intelligence agencies, police forces and other areas to provide a single integrated counter-terrorism intelligence effort, under a single authority. ASIO and its Joint Counter-Terrorism Intelligence Coordination Unit would be the natural foundation for this effort. The centre would provide the Government with a single integrated terrorism intelligence picture. A model for this in some ways was the Olympic Security Intelligence Centre established in 2000.

Response and recovery

Australia's counter-terrorism planning has in the past been dominated by thinking about ways to respond to a siege situation in which terrorists take hostages to enforce demands on Government. Such scenarios are usually protracted, allowing time for negotiation and for the deployment of specialised forces. The ADF's counter-terrorism capability was specifically developed for such situations. These capabilities are still important, because there remains a clear possibility that such incidents might happen, as demonstrated recently in Moscow as well as the Philippines.

But the mass-terrorism threat we face today is very different from the siege-hostage incidents of the 1970's, and the demands made of Government are different too. We cannot in future, as we have until now, focus primarily on the management of a terrorist incident once it has begun, aiming to negotiate or force the release of the hostages. Mass-terrorism aims to inflict maximum casualties as quickly as possible, with no thought of negotiation and no time for protracted response once an incident has begun. So our attention must shift from managing an incident once it is underway to preventing an attack before it begins, limiting the damage from an attack as much as possible, and helping the victims and the wider community recover from it quickly afterwards.

This means that, besides the overriding need for intelligence outlined above, we must address two other critical needs. The first is to have interdiction forces available at very short notice to intercept terrorists who have been discovered before they attack. If there were plenty of notice this would not be very demanding, and the capabilities already available in the ADF and police forces would be more than adequate. But the Commonwealth Government may not have the necessary forces for such tasks available at short notice in locations around Australia.

Operations in a WMD environment requires specialist equipment and training. © Defence Dept.

The risk we face from terrorism has a strong regional component, and our response to the risk needs to address the regional factors as much as possible.

The capabilities of the State police tactical response groups may need to be examined to ensure they can meet any such need. In the longer term the primary counter-terrorism response capability might best be moved from the ADF to Federal and State police forces, which will almost always be able to get to a terrorist scene more quickly than the ADF, and are on a surer legal footing to undertake such operations. NSW and Victoria have made important starts to further developing their own counter-terrorist and response capabilities. But this approach needs to be mirrored across all States and Territories. This would then free up ADF Special Forces to focus on their overseas missions.

Secondly, we need to address our ability to recover from a major terrorist attack. The Bali bombing showed tragically how demanding such attacks can be on police, medical and other services. Inevitably most of the pressure would fall on services provided by the State and Territory governments. An attack the size of the Bali bombings would put real strain on our own hospital services: larger attacks could completely overwhelm them. The various state emergency services and the Commonwealth's Emergency Management Australia provide an excellent basis for this work, but there is probably a lot more to be done, especially to provide a robust capacity to respond to WMD terror attacks.

The ADF might contribute to this capability, but it would be a mistake to see it as primarily a Defence function. The recently formed ADF Incident Response Regiment is located centrally and could take many hours to travel to an incident outside Sydney. Its capability has been optimised for battlefield operations, not domestic emergencies. So a better approach would be to further develop capabilities in State fire brigades or emergency services. This reflects the experience of last year's anthrax hoaxes where early response fell to civil agencies. Their capabilities need to be enhanced.

The biggest challenge is to provide medical treatment, crowd control and mass evacuation for very large numbers of people very quickly. This would inevitably rely on State Government services, but the Commonwealth, including the ADF, could have a role to play. Some US estimates of the numbers of military personnel alone required to respond to the terrorist use of WMD number in the thousands, and include light infantry, medical, engineering, chemical, military police, transport and aviation units. Advance planning and coordination, building on existing emergency-relief plans, would be the key.

Regional responses

Clearly the risk we face from terrorism has a strong regional component, and our response to the risk needs to address the regional factors as much as possible.

We should recognise that discontents that give rise to terrorism in the region are not necessarily the product of poverty or deprivation. Nonetheless the susceptibility of our neighbours to terrorism is to some degree a reflection of deep-seated problems of economic growth, social structures, ethnic tensions, institutional weakness and government legitimacy. We should be realistic about Australia's lack of capacity to fix these deeper issues, but there is good reason to place a high priority on doing what we can to help our neighbours overcome them. The Government's emphasis on education aid is a step in the right direction. It is useful to distinguish three other elements to this issue.

Regional cooperation

There are two main areas for regional cooperation in responding to the threat of terrorism. The first is intelligence. Much has already been done; since September 11 the Government has signed Memorandums of Understanding (MoU) on counter-terrorism with a number of regional countries, building on long-standing intelligence links. But no doubt there is scope to deepen these linkages further and develop more practical cooperation, and this should be done. There may be merit in moving beyond the bilateral approach by using the MoUs as a basis to build and evolve an effective regional counter-terrorist intelligence network. It will also be important to continue cooperation in related areas such as financial monitoring, immigration, customs and general policing.

Second, the tragic aftermath of the Bali bombing shows how important it is to promote regional cooperation in building capabilities to help recover from mass terror attacks. Many countries in our region simply do not have the capability to provide the kind of medical, legal, forensic and other support needed after a major terrorist attack. The Government has already promoted a proposal for regional cooperation on this issue, which received positive responses at this year's ASEAN Regional Forum (ARF)—the initiative should now be given a high priority.

Australian influence

Our ability to respond effectively to the new challenge of terrorism will depend on our ability to work with governments in the region. There are claims that Australia's level of influence in the region has fallen in recent years. This can be exaggerated: Australia remains very effectively engaged and well respected among our neighbours. But there are no grounds for complacency. To respond effectively to the new threat of terrorism we need to maximise our influence in the region.

The cooperative activities of ASIO and the Australian Federal Police (AFP) in the Bali bombing investigation and expanding ASIO's presence in Indonesia are good steps. But we should also look at an expansion in the

Australian Federal Police forensic experts at Bali bomb site. AAP/Dean Lewins © 2002 AAP

overall numbers of ASIO and AFP officers that would allow those two organisations to take on more of a regional cooperative role and presence in combating terrorism without compromising their capabilities to undertake that role in Australia. ASIO and the AFP should develop an internationally deployable capability across a range of tasks and services.

We also need to look to the staffing of our embassies; in Jakarta, for example, the Embassy has a political staff of only six people, who between them must cover the entire complex spectrum of Indonesian politics. We need to look more broadly at the priority we give our nearer neighbours in Australia's overall foreign policy framework. The Bali bombing reminds us that no region in the world is more important to our security.

An ADF response

The regional terrorist threat places an even higher importance on the ADF's capability to undertake operations aimed at the evacuation of Australian nationals from regional hot spots. The degree of coordination of past terrorist attacks means we may have to contend with large scale evacuation of Australians—including medically—from more than one regional locality at the same time. This means we need to ensure the ADF has the proper equipment and logistic support to undertake concurrent evacuation operations. A primary function of the regular Commando battalion, 4RAR, was to assist in precisely these types of operations. Now that 4RAR is tied up in domestic tactical assault group (TAG) counter-terrorist duties there may be a requirement to raise additional infantry units to undertake these types of operations. This issue is addressed in greater detail in the third section of this paper.

Greater emphasis will also need to be placed on the transportation needs of these operations. This places even more importance in realising the capability of the planned additional troop lift helicopters as soon as

practicable. Defence needs to re-evaluate its airlift requirements and decide whether two squadrons of C-130 Hercules aircraft is enough. We should also consider enhancing our sea lift capabilities though the leasing of fast catamarans like those we used very successfully during the East Timor deployment. Other leasing opportunities with commercial transport companies should also be investigated.

Global responses

The terrorist threat to Australia has some global origins, so our response must address the issue globally, in addition to the domestic and regional levels. Australia has of course been at the forefront of the global war on terror since September 11 last year. That campaign has had two elements. The more obvious and spectacular has been the military campaign, primarily in Afghanistan, to deprive al-Qaeda of bases and support. This has been a partial success, and Australia's contribution has been significant.

The second element, less spectacular but no less important, has been the campaign by intelligence agencies, police forces, immigration authorities, financial regulators and others from around the world to tackle the task of finding, frustrating and dismantling the terrorist network itself. Australia has also played an important role in this campaign.

From now on this second campaign in the war on terror is almost certainly going to be the more important. Al-Qaeda no longer receives overt support from any nation, and it presents few if any targets or objectives for large-scale military operations. The long slow battle to seek out terrorist cells and close them down will be fought in the shadows, as President Bush and Australian leaders have long acknowledged. Australia needs to take an active part in that global campaign, and our intelligence, police and other agencies need to have the resources to contribute effectively to it.

Australian Special Forces Task group soldiers on reconnaissance in Afghanistan. © Defence Dept.

In general, the closer a problem is to home, the more our interests are engaged, the greater are our responsibilities and the more effect our efforts will have.

We should also continue to contribute to military campaigns in the 'war on terror', where opportunities arise to use military forces effectively to attack the global terror networks. But these opportunities are likely to be few and far between.

Iraq is a special case. Its place in the 'war on terror' is ambiguous. Iraq supports terrorist groups in the Middle East, but evidence of substantial links to the al-Qaeda network is scant. Iraq's WMD program is a possible source of WMD for al-Qaeda and other groups. But Saddam Hussein is not the most likely source of WMD for terrorists. They are more likely to acquire WMD by theft from the arsenals of WMD proliferators like Pakistan, or from Russia or other parts of the old Soviet Union. And Iraq's WMD are more likely to find their way into al-Qaeda's hands in the chaos that might follow a US invasion, than under Saddam Hussein's closely-controlled regime.

However Iraq's WMD program does pose an important problem for international security, because of its implications for security in the Middle East, the durability of the global non-proliferation regime, and the authority of the United Nations (UN). Australia is warranted in supporting international action, including military action, to enforce the UN resolutions regarding Iraq.

Setting priorities

Australia's campaign against terrorism imposes a demanding set of tasks. Australia needs to prioritise rigorously, according to one simple principle: while all aspects of the campaign against terrorism are important, priority should be given first to domestic efforts here at home, second to regional measures, and third to our contribution at the global level. This concentric approach reflects the broader principle of strategic policy—that things closer to home should take priority. In general, the closer a problem is to home, the more our interests are engaged, the greater are our responsibilities and the more effect our efforts will have.

The measures we think the Government needs to take are substantial, but not daunting. They build on the steps that the Government has taken since September 11 last year. Their focus is on intelligence, diplomacy and building the capacities of civil agencies, particularly in the States and Territories, rather than on our defence forces or just on other Commonwealth agencies.

CHALLENGE

2

Asia Pacific security

The increased threat of terrorism is the most urgent new security policy challenge we face. But it is not the only one. The turbulent events since September 11 last year have brought new challenges but not displaced the old ones. Australia lives in a region—the Asia Pacific—in which armed force continues to play a large role in international affairs. The future strategic balance of the wider region remains unclear, the relationships between major powers are unsure, and our near neighbours are unstable.

So while we must give highest priority to responding to the threat of terrorism, Australia cannot afford to ignore a number of other major policy issues and challenges in our region which will be critical to Australia's future security. This chapter identifies the three big issues in the Asia Pacific which are most important for Australia's future security, and that therefore need to be near the top of our foreign and defence policy agendas.

America and China

Australia's overarching interest in a stable, cooperative, prosperous future for Asia is threatened by the possibility that America and China might drift into animosity or even war in coming years. The risk of this outcome is not high, but it is real and significant. Put simply, Washington wants to retain, and perhaps enhance, its place as the key arbiter of security and stability in the Western Pacific, while Beijing hopes one day to supplant the US in that role. Both sides plan on the basis that China's economic, military and political power will continue to grow strongly. If that is correct, a clash of aspirations seems close to inevitable.

But at the same time, the US-China relationship has many positive vectors. Trade, investment and educational links are strong. The attacks of September 11 have helped US-China relations, if only by diverting the attention of those in Washington who had previously focussed on China as the key emerging strategic threat to the US. If the US becomes deeply

Chinese President Jiang Zemin (L) with US President George W.Bush during APEC meeting,Oct 2001.
AFP/AAP/Stephen Jaffee; © 2001 AFP

engaged in the Middle East, and especially if it gets drawn into major and sustained military deployments in Iraq, then America's relations with China may continue to benefit from this diversion from what many in Washington have seen as 'the China threat'.

But underlying tensions could be brought to a head at almost any time by a crisis over Taiwan. Burgeoning trade, investment and people movements continue to draw the two sides of the Taiwan Strait closer together, so perhaps political evolution in China will eventually bring about peaceful unification. Nonetheless there remains a risk that Taiwan's complex and fractious domestic politics might throw up moves towards independence that China's leaders would not tolerate. We should not doubt China's willingness to use military pressure against Taiwan in these circumstances.

Democratisation in Taiwan has undercut the credibility of the 'One China' policy in the US, and Washington's support for Taiwan—including indications of military support in a crisis—has been strengthened under the Bush Administration. If China tried to apply significant military pressure to Taiwan—for example blockading Taiwan's air and sea space—Washington would be very likely to mount a substantial armed response. China's air and naval capabilities, though far weaker than America's, are strong enough to offer significant resistance to any US action. There would be a very real risk of conflict and escalation.

Nor is Taiwan the only source of instability in the region's great power relationships. Events on the Korean Peninsula—amplified by the recent revelations of North Korea's covert nuclear weapons program—seem headed either for normalisation or crisis. Either trajectory has potentially unsettling consequences for US-China relations, US military deployments in the Western Pacific and the US-Japan relationship. At the same time developments in North Korea reinforce the need for US–China cooperation in regional security affairs.

Australia's long-term security requires us to become more actively engaged in shaping the policies and attitudes in Washington, Beijing and elsewhere.

All this poses big questions for Australia. Are we willing to contemplate war with China over Taiwan? And more broadly, are we willing to see America concede to China a bigger role in regional affairs? Clearly our interests are strongly served by continued US strategic engagement in Asia, in part to prevent China dominating the region and exercising undue influence over Australia and our neighbours. But we need to ask ourselves whether Australia could live happily in a region in which there was a fairly even and amicable balance of influence between the US and China—a kind of regional condominium.

That would be a rather different strategic environment from the one we enjoy at present, and it would pose some risks and challenges for us. The question for Australia is whether those potential risks and challenges are so grave that we would prefer instead to support the US in a confrontation with China aimed at restraining its growing power and influence. That too would pose risks and challenges to us.

Australia's interests are best served by good relations between the two nations. That is going to require compromise by both Beijing and Washington on important issues. At present, many in Washington see compromise with China on strategic issues such as national missile defence or Taiwan as tantamount to appeasement, and many in Beijing see compromise with Washington as a betrayal of China's national dignity. If these attitudes persist, we may be in for trouble.

What can we do to reduce these risks? We shouldn't be unrealistic about our influence, which will always be limited. But neither should we assume we are powerless. Australia has some influence in Washington as a close ally, and as a spokesman of sorts for other American friends on the western side of the Pacific who face the same risks and challenges from US-China relations as we do. We can become active advocates in Washington of a well thought out and articulated policy approach to China which offers the prospect of a constructive US-China condominium.

We might also be able to have some impact in Beijing. With others we can encourage China to work with, rather than against, the US. And we can help China see that continued US strategic engagement in the region is a given, and that it works to China's benefit as well as everyone else's.

Australia's long-term security requires us to become more actively engaged in shaping the policies and attitudes in Washington, Beijing and elsewhere which will shape the Asia Pacific in the future. First we need to sort out what we think ourselves. Then we have to work harder to convey these views where they count.

Australia and Indonesia

The Bali bombings have reminded us how important Indonesia's security is to our own. The bomb that killed so many Australians and Indonesians also threatens the stability of President Megawati Sukarnoputri's government. And as we have argued in the previous chapter, one of the keys to addressing the threat of terrorism to Australia is to rebuild our capacity to work effectively with Indonesia.

This gives a new urgency to the need to support stable democratic government in Indonesia and work effectively with the government there. It also underlines the importance of working with institutions such as the Indonesian police and judiciary in combating terrorism and strengthening

Australian Prime Minister John Howard (L) with Indonesian President Megawati Sukarnoputri, Oct 2002.
AP via AAP/Tomas Munita © 2002 The Associated Press

their broader capabilities, rather than primarily focusing on relations with the Indonesian armed forces, TNI. The immediate challenge Australia faces will be to transform the cooperation we are currently receiving from Indonesia on the Bali investigation into a wider cooperation to combat terrorism in the medium to longer-term. But it is also important to remember that our interests in Indonesian democracy, stability and security go beyond terrorism. The relationship is important to all aspects of our security.

Democracy in Indonesia has flourished surprisingly well. In the four years since Suharto fell, the institutions of representative government have evolved and developed strongly, and the military have kept out of politics to a remarkable degree. Most recently, the move to direct elections for the Presidency should strengthen the capacity of the executive to deliver good government. But the roots are not deep, and it is still too early to say that the transition to democracy in Indonesia is irreversible. There remains a risk that another economic or political crisis could yet see the return of authoritarian, military-backed government.

These observations suggest a major policy imperative for Australia: to do whatever we can to support and strengthen the development of democratic government in Indonesia.

That would be a bad outcome for Australia. Back in 1965 we welcomed Suharto as a better alternative to Sukarno, whose Confrontation with Malaysia and flirtations with communism posed real problems for Australia. But today Australia would find it very hard to build good relations with a newly-installed authoritarian regime in Jakarta. And it is doubtful that TNI now has the capacity to deliver stability to Indonesia. There would be a serious risk that chaos in Indonesia would deepen, and our relations with such a regime would be tense and adversarial.

So we need democracy to work in Indonesia. But history played a cruel trick on Australia-Indonesia relations in 1999. Indonesia's first genuinely democratically elected President was elected in October, just a few weeks after we led the deployment of a major international force into what was then still Indonesian territory in East Timor. Few in Australia would contest the appropriateness of the Government's response to the situation we faced in September 1999 following the UN-sponsored vote in East Timor. But in Indonesia the wounds run deep.

Even among liberal supporters of democracy, there is a strong sense that Australia misled Indonesia about our objectives in East Timor, and humiliated it through our actions there. That matters. We in Australia have a very large stake in the success of Indonesia's democratic experiment. But because of the legacy of mistrust flowing from our role in East Timor, we have been unable to do much to help support the development of democracy.

The problem of Papua sharpens these concerns significantly. The separatist movement there remains fairly weak, and with careful handling Jakarta could most likely keep the issue manageable. But incidents such as the murder last year of Theys Eluay, and the ambush near the Freeport mine in August 2002 show that there is a risk of a spiralling cycle of violence exacerbated or even instigated by TNI elements. Such a cycle of violence could invite the sort of international attention that was evident in East Timor's transition to independence and would gravely complicate Australia's policy towards Papua.

And finally we need to recognise that the Bali bombing and the wider question of Islamic extremism in Indonesia has the potential to deepen the mutual sense of animosity in both Australia and Indonesia. An effective response to terrorism in Indonesia is very important to Australia—and to the future relationship—but Indonesia's weak government is at present incapable of delivering it.

These observations suggest a major policy imperative for Australia: to do whatever we can to support and strengthen the development of democratic government in Indonesia.

The Government has been right not to rush into rebuilding relationships with Indonesia since 1999. It has focussed instead on small practical steps on matters of mutual concern, which have paid good dividends in building cooperation on issues such as terrorism and people smuggling. Now is the time to take some bigger and bolder steps. It might be best to start with a major effort to re-establish the sense that had developed slowly up to 1999 that Australia and Indonesia have basic strategic interests in common, including Indonesia's territorial integrity.

Those steps will need to recognise that, whatever we do, our influence on Indonesia's political trajectory can be only marginal at best. But just as the Colombo Plan in the early 1950's recognised that with carefully targeted programs we could make a small but important difference to the way our neighbours developed, we recognise we now have the same opportunity, and perhaps the same responsibility.

A member of the Malaitan Eagles Force which attempted to overthrow the Solomon Island's Prime Minister. AAP © 2002 AAP

Our failing neighbours

Three of our closest neighbours—Papua New Guinea (PNG), the Solomon Islands and Vanuatu—are in different ways struggling to survive as functioning nations and societies. The Solomon Islands is the furthest down the road to state failure, but PNG and Vanuatu also face serious problems. Our newest neighbour, East Timor, is in a more promising position thanks to large volumes of international aid provided over the past few years, leading up to its transition to full independence last May. But East Timor also faces daunting challenges to its viability.

The state of these countries matters to us. We have humanitarian concerns about the well-being of our neighbours, and important concerns about their providing footholds for transnational crime in our neighbourhood.

But our interests go deeper than that. The arc of islands which those countries occupy has been the traditional focus of Australia's most acute strategic sensitivities, and remains important to us today. As long as we are concerned about defending Australia from direct military attack, we need to be concerned about the ability of any potentially hostile power to operate from bases in those islands.

These countries are also potential havens for terrorist groups. They could serve as bases for groups planning attacks in Australia, and their weak security infrastructure means that such groups could not only slip in to these countries unnoticed, but could also use these states as points of entry to Australia. While the risk may be slight, it is one that we cannot ignore in the aftermath of the Bali bombing.

For many decades we sought to protect Australia's interests by supporting colonial rule in one form or another. When the tide of post-war decolonisation reached the South Pacific in the 1970's, we recognised that the best way for Australia to continue to manage our strategic interests was to build close bilateral relationships with our near neighbours as independent states, supported by generous aid programs.

But despite our efforts the continued viability of PNG, the Solomons and Vanuatu as nation states is now uncertain. Their Governments are weak, transient and hard to deal with. Corruption is rife and control over territory is uncertain. Economies are stagnant and law and order is poor. Their ability to resist penetration by outsiders—whether states or non-state entities—is almost nil.

Australia needs to look at a new and more active role in helping these countries get back on their feet.

This poses an urgent problem for Australia. Unless the quality of Government in the South West Pacific can be restored, and social and economic development resumed, we risk seeing our neighbourhood degenerate into lawless badlands, ruled more by criminals than by legitimate governments. The problem may already have gone so far that faltering governments and societies are unable to manage their own salvation, even with a lot of outside help. In the Solomon Islands, for example, the collapse of effective government means that there may be no point in trying to work with the national authorities to try to address the problems on Guadalcanal.

Australian policy since decolonisation has consistently stressed the need to allow these countries to manage their own problems, and to avoid Australia being drawn too closely into the management of their internal affairs. It seems that as far as our Melanesian relationships are concerned, this approach will no longer work. Australia needs to look at a new and more active role in helping these countries get back on their feet. We may need to draw on international experience in dealing with failing and failed states elsewhere in the world, to help fashion a new model for our involvement in some countries in our neighbourhood.

This will require new thinking, a fresh approach, a generous spirit, and a willingness to take risks. It will also take much more effort to talk and listen to the people and leaders of these countries. For Australia, this is nothing less than a change of policy paradigm.

CHALLENGE

3

Reshaping and delivering the ADF

Nearly two years after the Defence White Paper was released it is time to review both the plans and directions that it set down, and their implementation. This chapter looks at three key questions. Do our long-term force development plans need to be changed in the light of September 11, the Bali bombing and the new threat of terrorism? Are we adapting effectively to the way new technology is changing the ways wars are fought? Are we on track to deliver the capabilities called for in the White Paper?

Have our defence needs changed?

How we got where we are

The *Defence* 2000 White Paper produced the first really comprehensive revision of Australian defence policy for the post-Cold War era. It placed a much stronger focus on Australia's ability to deploy forces overseas to support our regional and global interests. The defence of Australia remained at the centre of our policy, but high priority was also given to ensuring that we have the capabilities to help defend shared interests in our immediate neighbourhood, in the wider Asia Pacific region, and beyond. So under *Defence* 2000 we no longer develop military capabilities uniquely for the defence of Australia.

The White Paper also recognised that the ADF was no longer just about fighting conventional wars between states. In future it would be called upon increasingly to undertake a wide range of missions from full-scale conventional operations to many kinds of peacekeeping, nation-building and other new tasks, including tasks not traditionally seen as military responsibilities. These included responding to terrorism while recognising that civilian responses may be more appropriate.

Australian military parade. © Defence Dept.

Finally the Government put strong emphasis on the need for high readiness in our forces. The White Paper required that the ADF should focus on delivering high-quality forces that are ready to deploy on operations at short notice. It moved decisively away from the concept that Australia could rely on months or years of warning before needing to commit forces for operations either in the defence of Australia or to support our strategic interests overseas.

The events of the past two years, including the increased threat of terrorism against Australia, have not reduced the long-term priority we need to give to the defence of our own country.

How much has changed?

Are these basic policy principles are still valid? The events of the past two years, including the increased threat of terrorism against Australia, have not reduced the long-term priority we need to give to the defence of our own country. They have not reduced the demands that might be made on our defence forces in protecting our interests in Australia's immediate neighbourhood. And they have not reduced the dangers of instability in the wider Asia Pacific region, or the need for Australia to be able to work with others to respond to them.

Concentric circles or global reach?

The aim of the 2000 Defence White Paper was to provide a conceptual basis for Australia's defence planning that would endure for several decades at least. That is important because major force structure decisions take that long to implement.

The heart of the White Paper is a set of statements about Australia's strategic interests, objectives and tasks. The five key long-term strategic objectives set out in *Defence 2000* shape the primary tasks for the ADF and its specific capability priorities. They are in priority order:

- defending Australia and its direct approaches.
- ensuring the security of our immediate neighbourhood.
- promoting stability and cooperation in South East Asia.
- maintaining strategic stability in the wider Asia Pacific region.
- supporting the UN and US in maintaining global security.

Australia's primary strategic interests reside in the Asia Pacific region. While Australia has an interest in supporting US efforts to maintain global security, even that broader interest is firmly rooted in our interests in maintaining security and stability in the Asia Pacific.

Australia does not have any independent global security interests. The global interests we have—such as combating terrorism and stopping the spread of weapons of mass destruction—are equally shared with many other like-minded countries. In contrast we do have more independent security interests in our immediate neighbourhood that most other countries do not share. These include the stability and security of Indonesia, East Timor and the South Pacific.

Australia will have a continued strategic interest in making global military deployments, not least in support of the war on terror. But our actual ability to support the US globally will be limited in military terms, as it should be. Given our relatively limited military resources, our wish to provide such support should not detract from our ability to ensure our security in the Asia Pacific region, particularly in our immediate neighbourhood.

This means that any emphasis in more global deployments should be on capabilities that are:

- specialised in nature;
- short-term in duration; and
- small in numbers.

So all these elements of our strategic posture endure. But do we need to invest in new military capabilities to meet new demands arising from the campaign against terrorism?

Fighting terrorism at home

The most important change in Australia's overall security environment since the *Defence* 2000 White Paper is the increased risk of terrorism in Australia that has emerged since September 11. As we have argued in the first section of this paper, Australia needs to respond by enhancing our ability to detect, prevent, respond and recover from terrorist attacks, including mass terrorism.

Defence will be part of this. Already the Government has committed some $390 million for Defence to provide improved intelligence, Special Forces and WMD response capabilities. Counter-terrorism is not a new task for the ADF.

While more work may be needed in some areas to further improve aspects of our domestic counter-terrorism capability, these extra demands should not fall primarily on the ADF. Most value would be gained by enhancing the ability of civil agencies, especially in the States, to play a bigger role in counter-terrorism. Some response functions now fulfilled by the ADF may even be passed to civil agencies which would be able to get to the scene of an incident more quickly than the ADF, and may be able to deliver capability more cost-effectively than Defence.

A demonstration of the Tactical Assault Group, Aug 2002. © Defence Dept.

The September 11 attacks have seen a widening of the role for armed forces in homeland defence in both the US and UK amongst other nations. The Government, however, should only expand the domestic security role of the ADF where that does not detract from the ADF's ability to conduct operations overseas and where it is clearly the most cost-effective approach. It seldom will be.

Deploying overseas

Most public discussion about the implications of September 11 for Australia's defence has focussed on the demands that the US-led 'war on terror' may make on the ADF. Do we need to expand the ADF's capability to deploy forces to coalition operations in regions remote from Australia? Should this become a major new priority for our defence planning? Should it supplant the primacy we have previously given to planning for contingencies in our immediate neighbourhood?

The forces we have developed to defend Australia and protect our regional security interests have provided adequate options to support the war on terror.

The answers depend on a number of factors. Firstly, how big will the war on terror be, and what kinds of contribution will Australia want to make to it? If the crisis in Iraq is resolved without the full-scale invasion and occupation of Iraq, we may have already seen the high-point of the military phase of the war on terror. And even if there are major and long-lasting US or coalition operations in Iraq, the scale of Australia's contribution is unlikely to be much larger than the commitment we have already made to operations in Afghanistan and the Persian Gulf.

Such a modest contribution would be consistent with Australia's interests and responsibilities. It would also be consistent with the policy approach set out in the *Defence* 2000 White Paper, which states that beyond the Asia Pacific region we would normally consider making only a relatively modest contribution to any wider UN or US-led coalitions, proportionate to our interests and the commitments of contributors elsewhere in the world.

Australia's F/A-18 refuel during recent deployment as part of the 'war on terror'. © Defence Dept.

The second question is: how well-placed is the ADF to sustain its current levels of deployment for what may be an extended period? Clearly the ADF's level of operations is currently fairly high. Nonetheless only about 7% of the ADF is actually deployed on operations at present. While a greater percentage is involved in supporting those deployments, this ADF commitment is still only half what it was at the peak of our East Timor commitment in 1999. It should not be too hard for the ADF to sustain that kind of commitment over the longer term, especially now that it has had some years to adapt to the demands that commitment places on systems and personnel.

Of course some specific areas of capability may be overstretched, for example, the Special Air Services (SAS) Regiment has carried a very heavy commitment in recent years, and there may be concerns with the operational burden currently being carried out by the Navy.

More broadly, however, it is not clear that we need to develop new kinds of capability beyond those now planned, to enhance our contribution to US-led coalition operations. The forces we have developed to defend Australia and protect our regional security interests have provided adequate options to support the war on terror. The most valuable additional options are those which have already been identified in Australia's planning—and should indeed have already been delivered.

Maritime forces and the SAS provide amongst the most useful contributions to coalition operations at present. The most compelling additional type of contribution we could make would be frontline combat aircraft for operations in hostile air defence environments such as that of Iraq. Our F/A-18's and F-111's could be very useful to a coalition, and their commitment would be a strong signal of support. But despite clear Government decisions, and the commitment of substantial funds, our aircraft still lack the electronic warfare and the range of precision-guided weapons required to take a meaningful part in such operations.

So if the Government did want to look for additional capabilities to contribute to coalition operations, the best initial approach would be to focus on the delivery of capabilities already foreshadowed and ordered under the Defence Capability Plan (see box).

If the government is prepared to allocated significant additional funding to Defence there are two priority areas it should consider. The first is to exercise its existing option to purchase an additional 2 airborne early warning and control (AEW&C) aircraft beyond the four aircraft already ordered. The second is to increase the size of the Army's deployable infantry units.

A fleet of six AEW&C aircraft could be fully justified on the basis of defending Australia, but would also make a credible contribution to coalition operations in many situations. With a fleet of six we would be able to send a viable number overseas while retaining a reduced but adequate capability for our own air defence.

Defence 2000 placed special emphasis on improving the Army's ability to operate effectively in Australia's immediate neighbourhood, especially for peacekeeping and humanitarian operations but also to provide better options for deployment further afield. This included making permanent the earlier Government decision to raise an additional 2 regular infantry battalions. However the Government's decision to allocate the second domestic TAG responsibilities to 4RAR effectively removes much of that battalion from the order of battle for conventional infantry tasks—beyond the occasional short term deployment of a company group. This leaves the ADF with only five regular battalions of infantry available for operations.

The White Paper set an objective for our land force to be able to simultaneously deploy and sustain a brigade and separate battalion group deployment overseas. Future requirements for evacuating Australian nationals from the region after a terrorist campaign may make this scenario a reality, yet under Army's present structure uncertainty remains on its ability to meet this requirement. Unless domestic TAG responsibilities are passed to the AFP the Government may need to consider raising at least one additional infantry battalion and associated support elements to meet its objectives. And in the longer term, demands on Army capabilities may require the equivalent of at least 8 regular battalions in our high readiness infantry force. Increasing the number of Regular battalions is only one option. The Government could also consider boosting the strength of our existing battalions, or make far better use of the Reserves. But something needs to be done.

Options to increase the ADF's capacity for global operations

There are a range of changes that could usefully be made at the margins of the Government's Defence Capability Plan (DCP) to enhance our capabilities to support US coalitions in the near term:

- A major weakness in the ADF's ability to deploy air combat and strike assets to military operations is Australia's lack of electronic warfare self protection (EWSP) which enables them to operate in hostile environments. While recognising that there are technical and other limitations to accelerating EWSP projects, the Government needs to direct Defence to explore options to bring forward EWSP delivery schedules.
- Australia current precision guided munitions capability is limited to laser-guided bombs. Integration difficulties have delayed the service entry of the AGM-142 stand-off missile until at least 2004. In the DCP there are a number of planned projects to improve the ADF's precision strike capabilities, such as GPS-guided bomb kits. However, under current Defence planning these are unlikely to be introduced into service until 2008. They should be brought forward.
- The operational use of Uninhabited Aerial Vehicles (UAV) in Afghanistan has served to highlight their utility in a range of military applications, including armed attack. Defence should explore opportunities to accelerate development of an operational tactical UAV capability.
- Air-to-Air Refuelling (AAR) and Airborne Early Warning and Control (AEW&C) projects will also provide enhanced options for coalition contributions. However making a meaningful contribution to coalition operations—while still maintaining some capability for other contingencies—would require at least 6-7 AAR aircraft and the option of an extra 2 AEW&C aircraft previously foreshadowed by the Government.
- Greater emphasis should be given to the importance of data links and networking in Defence projects. The provision of systems such as Link-16 in the ADF is continuing, but there remain significant gaps in Link-16 implementation across the ADF. This is one hindrance that will continue to limit our ability to provide meaningful support to multinational coalitions.
- There is always value in more airlift, a small number of C-17 or A-400M strategic lift aircraft might be more cost-effective and operationally beneficial than a second squadron of C-130 Hercules aircraft. That is an issue which should be examined on its merits, but the focus of such an examination should be the capacity of the ADF to operate independently in our immediate neighbourhood, not solely our ability to deploy globally to support the US.

Transforming the ADF

One of the more immediate effects of September 11 was to energise the Bush Administration's intention to transform the US military to better meet the likely security challenges of the 21st century. While much of the revolutionary nature of US military transformation is vastly overstated, subsequent military operations in Afghanistan served to reinforce the need for lighter, more lethal and deployable joint forces that will be networked in order to conduct highly complex operations over vast distances.

Transformation of military forces as it is being developed by the US generally has four essential elements:

- Strengthening joint and networked approaches to operations and organisations;
- Experimenting with what the Pentagon calls "new approaches to warfare";
- Expanding and exploiting intelligence capabilities; and
- Developing and procuring transformational military capabilities.

Many of these concepts were tested in Afghanistan. First, the operation marked an important step in the growing dominance of precision guided munitions (PGM). Secondly, the use of networked communications to coordinate air operations with Special Forces on the ground was demonstrated to be a major force multiplier. Thirdly, the use of UAVs to deliver PGMs marked the modern debut of the unmanned strike platform. It is noteworthy that none of these innovations involved radical new technologies or enormous investments—simply the application of long-developed technologies, drawing especially on the lessons of the Gulf War.

While not adopting a dedicated and declared policy of military transformation, Australia has been pursuing a number of similar aims. As noted above, many of the changes to capabilities inherent in transformation are embodied in the White Paper and DCP. But more could be done (see box). The ADF is still not optimised to conduct 24-hour, all weather combat operations. Much more attention should be dedicated to experimentation, including the option of pulling operational

RQ-1 Predator with Hellfire missiles. Photo courtesy of General Atomics Aeronautical Systems, Inc.

Transforming the ADF

- **Land Forces**—Greater emphasis needs to be given to the Army's deployability and lethality particularly with respect to Army's armoured vehicles, fire support and troop lift capabilities. However sustainability is the key. Logistic support is still not receiving enough emphasis. Future demands on Army are likely to require additional light infantry forces and associated support elements. More attention needs to be given to Army's networking with the rest of the ADF, particularly the Air Force.
- **Special Forces**—Greater emphasis should be placed on the war fighting capabilities of Special Forces (SF) rather than their domestic counter-terrorism role. More priority needs to be given to the investment measures required to render SF fully fit to deploy on combat operations overseas at short notice. The equipment needs of SF should be re-evaluated especially with respect to improving mobility, surveillance and communications. Particular focus should be given to improving the ability of SF to communicate with aircraft and their targeting capabilities. We need to sort out what role SF Reserves are to play.
- **Air Combat/Strike**—The Government's decision in principle to purchase the F-35 Joint Strike Fighter (JSF) means Australia may not received these new combat aircraft before the F/A-18 and F-111 are scheduled to retire. This places a greater premium on maintaining the F/A-18 and F-111 in service. If an earlier purchase of new aircraft is necessary, serious consideration should be given to delaying the JSF acquisition. The Air Force needs to be more focussed on being able to conduct combat operations. There is still not enough importance placed by Defence on the role that UAVs can play in military operations.
- **Maritime Forces**—Greater priority needs to be placed on Navy's littoral mission—its ability to support Australian forces deployed offshore—which calls for particular attention to the development of amphibious capabilities and the means (across all services) to protect those. Operational leases of fast catamarans should be reinvestigated. Consideration also should be given to the development of improvements in the fire support capability of our major naval combatants.
- **Information Capability**—While spending billions of dollars on numerous information and intelligence projects, the integration of these projects into an ADF-wide information network is still lagging. Network centric warfare focuses on using information technology to link all elements of the military—ships, aircraft and land forces—into a highly integrated network that can 'talk' to each other which can significantly improve military capabilities. We need to advance the practical development of network centric warfare in the ADF beyond its use as a rhetorical slogan or buzzword.

units off-line to test new concepts and doctrine and a greater emphasis should be placed on training for urban warfare and operations.

In general there is a need for the ADF to become more flexible, deployable, sustainable and lethal. What we need is an ADF that is capable of carrying out a variety of tasks from at least medium-level conflict to low level peacekeeping, in some cases simultaneously. Terrorism adds a new dimension, but any force structured to achieve the above requirements will be adequate to meet that threat.

'Transformation' also raises the question of our future interoperability with the United States. The US has never previously been as demanding an ally as it is at present. The time may soon arrive where the US will seek military contributions from Australia more significant than our limited contributions of the past.

There is always going to be a gap in military capabilities between the US and Australia. The sheer size of the US defence budgets and the scope of US military/political responsibilities around the globe dictates that. In fact Australia and the US will face many challenges to interoperability in the future, not least:

- the differing threat perceptions and their impact on roles, missions, and priorities of our respective armed forces;
- the increasing pace of modernisation of US military systems and concepts;
- the US's willingness to release software and technology to Australia; and
- the lack of interoperability across the US and Australian single services.

As noted previously, the DCP will ultimately deliver substantial options for Government to support the US in coalition operations. But interoperability involves more than buying the same equipment. It is also about cooperative training and exercising, not to mention a general willingness to share information.

Australia-US Ministerial Consultations, Oct 2002. L-R; Alexander Downer, Colin Powell, Donald Rumsfeld and Robert Hill. © Defence Dept.

The review of strategic interoperability that was conducted for the 2002 Australia-US Ministerial meeting is a welcome start but that's not the same as undertaking a more fundamental examination of our interoperability objectives and the most cost-effective means to achieve them. We need to bear in mind that interoperability is a means to an ends, not an end in itself. We need to be aware of what each country wants from interoperability, and hence what each country is prepared to do in order to achieve it. Defence should undertake an interoperability audit—which would show up the current levels of interoperability between our two forces, and by implication, identify any deficiencies that exist.

Defence could also usefully investigate the possibility of industrial cooperation arrangements for a number of network-centric warfare (NCW) capabilities being considered by the US similar to the cooperation being pursued with the JSF program, as well as finding ways of formally involving Australia in the US transformation and experimentation framework.

Funding Australia's Defence

In 2000 the Government recognised that to achieve the priorities it had set, Defence would need more money and gave unprecedented commitments to long-term spending increases. The Defence Capability Plan spells out in some detail the capabilities which the Government expects to see delivered for that money. And so far the Government has met its side of the bargain.

Defence received an additional $500 million last year and a further $500 million this year in White Paper funding. Next year another $500 million is scheduled to be added to the Defence budget. These sums do not include the additional funds provided in the wake of September 11 for the war on terror ($520 million over two years) and domestic counter-terrorism ($390 million over four years). In addition, the Government has allocated more that $900 million over five years to agencies other than Defence to upgrade domestic security.

Reassessing the situation.

In light of the Bali bombing we need to ask whether still further funds are required. As argued earlier, our highest priority for new spending should be on intelligence. ASIO needs more resources, and further funding might be required to improve intelligence more broadly. At the same time we need to ensure that Defence's intelligence capabilities can effectively contribute to the counter-terrorism effort. But given the sizable boost to intelligence funding post September 11, this should not cost more than a few hundred million dollars, most of which will go to agencies other than Defence.

If the Government simply bails out Defence every time costs escalate, it will remove any incentive for Defence to contain costs and seek innovative solutions.

Of course, our contributions to coalition operations may place further demands on the Defence budget. If this occurs we expect that the Government will continue to supplement Defence for the net additional cost of the deployments. It would make no sense to do otherwise.

As a secondary priority, there are also a number of military capabilities in the Defence Capability Plan that could be either expanded or brought forward to improve our ability to contribute to coalition operations. Such measures should not call for any large-scale increases to Defence's ten-year budget. These are outlined earlier in this chapter.

But we must be realistic in our expectations of what can be achieved. Accelerating projects can be both costly and risky. With this in mind, the Government would be well advised not to boost investment funding too quickly. On balance, we think that it would be best to consolidate progress on the already ambitious Defence Capability Plan before setting new goals. Ultimately, tragic though the events in Bali were, there is no imperative to further increase Defence spending on new equipment across the board. If the Government does, nevertheless, judge it necessary to make further large investments in the ADF, we suggest that priority should go to additional AEW&C aircraft followed by an expansion of Army's light infantry force.

Irrespective of whether the Government expands the goals of the Defence Capability Plan or not, other cost pressures are likely to emerge. There are three distinct areas where pressures could arise; the affordability of the existing Defence Capability Plan, shortfalls in logistics funding and the specific challenges posed by our aging combat aircraft.

Delivering the Defence Capability Plan

There are worrying signs that additional funds might be required for some of the projects in the Defence Capability Plan. The acquisition and integration of new torpedoes onto the Collins class submarines is a widely-publicised example of such a project. The additional troop lift helicopters, the replacement combat system for the Collins, the Global Hawk UAV and upgrades to frigates are amongst the others.

Ultimately, if the Government wants the capabilities in the Defence Capability Plan it will have to foot the bill. But before doing so it should ensure that any increased costs are not the result of mismanagement, capability creep or 'gold-plating'. It has been only two years since Defence advised Government that the White Paper funding increase was adequate to cover the projects in the Defence Capability Plan. Some increased level of discipline and accountability is required.

Any request for additional funds for the existing projects in the Defence Capability Plan should be very rigorously tested. If the Government simply bails out Defence every time costs escalate, it will remove any incentive for Defence to contain costs and seek innovative solutions.

Is there a logistics shortfall?

Emerging demands for logistics and support expenditure to keep platforms and systems operational could put further pressure on the Defence budget. Defence logistics and support funding is notoriously hard to estimate, and for years there has been talk in Defence of a looming logistics funding crisis that never quite arrives. This year is no exception with figures of hundreds of millions of dollars being bandied around. It is hard to know how seriously to take these alarming predictions. But it does appear that support and logistics may be under-funded, so it would be unwise entirely to dismiss the current concerns as 'crying wolf'.

It is very difficult to confirm the scope and size of the problem. While there is little doubt that specific parts of Defence are hurting for funds, it is unclear to what extent this reflects systemic under funding as opposed to a simple failure on the part of Defence and the single Services to effectively allocate money to priorities within the portfolio. Indeed, we can have little confidence that Defence understands its funding requirements, having ended the last financial year with more than $835 million cash in the bank, the bulk of it unplanned. Any confidence is further eroded by the fact that Defence's financial statements for 2001-02 were qualified by the Auditor-General's department.

Defence should be pressed to maintain more of our forces as fully developed capabilities ready for deployment. Which is what the White Paper requires. This may mean spending more on logistics.

But any additional funding for logistics needs to be cautiously considered given the Defence's Department's difficulty with financial management. If an increase is warranted, the Government should tie down any funding increase to achieving specific capability enhancements in logistics and hold Defence accountable. It also should ensure that we are spending money on the right sort of logistics.

Maintenance being undertaken on an F-111. © Defence Dept.

Large increases in Defence spending are not needed to respond to the terrorist threat.

The critical issue of combat aircraft

The biggest uncertainty in the Defence Capability Plan is the future of the ADF's two frontline combat aircraft fleets, the F/A-18s and F-111s. The Government has announced that it intends to replace them both with the American Joint Strike Fighter, but that may not be in service before our existing combat aircraft are withdrawn from service.

Under the Defence Capability Plan both fleets were to receive substantial upgrades and refurbishments to keep them in service until they are to be replaced, but the Air Force is now expressing doubts about the viability of that strategy. It is investigating as an alternative the acquisition of an interim aircraft to replace one or both of the current types and fill the gap until the JSF arrives. But unless the Government is prepared to accept a sharp fall in aircraft numbers to perhaps a quarter of current levels, this solution would cost much more than has been earmarked for work on the current fleets. To get a strategically viable interim fleet, we may need to find several billion dollars more over the next few years. However it does raise the problem that the Government should not progress any uncontracted upgrade work on the F/A-18 and F-111 until it is better informed as to both their longer-term viability and other options to provide their stated capability.

Do we need to spend more?

So where does that leave us? Large increases in Defence spending are not needed to respond to the terrorist threat. There may be a need for more short-term funding increases to meet operational demands. And if the Government decides to increase the number of infantry battalions, that

will cost more too. But the real issue is the affordability of the Government's long-term defence capability development plans over the next decade.

Pressure for major coat increases in the Defence Capability Plan and the logistics budget cannot be ignored. Only time will tell what the impact of the broader cost pressures within Defence might be, but in some scenarios over $1 billion a year might be required over the rest of the decade. However any increases need to be examined very closely indeed.

Some observers have proposed that Defence spending should rise to 2% of GDP. This might be too much for Defence to swallow (Figure 1). It would deliver an additional $25 billion to Defence over the decade above the extra $40 billion that the Government is already providing as a result of the 2000 White Paper.

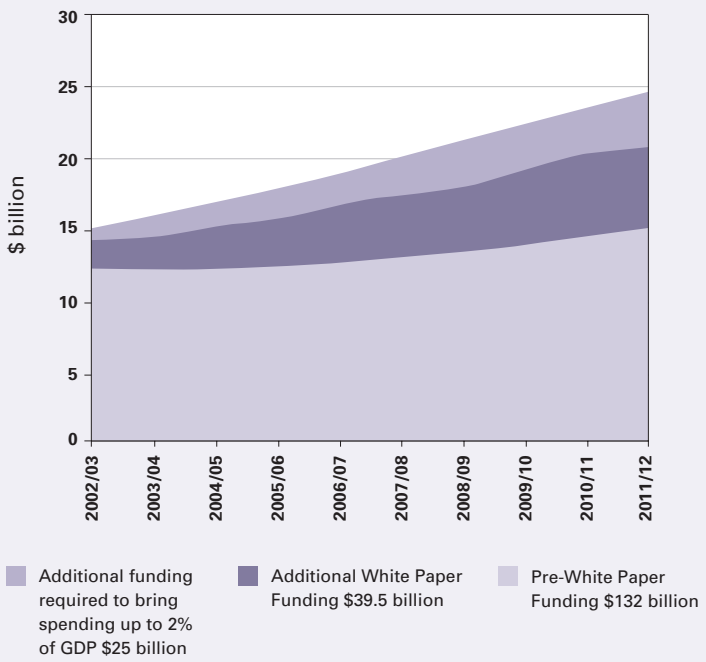

Figure 1: Defence Funding

On current projections the Government can afford to increase Defence spending and still maintain a budget surplus in the coming years. But there is always the risk than an economic slowdown will make large ongoing growth in defence spending unsustainable. So the Government should be very cautious about further increases in Defence funding until it is sure that the money is really needed and can be effectively used.

If the Government decides to hold the line on increased Defence spending it will need to do two things. First it should look closely at the goals it set in the Defence Capability Plan, and second, it should examine what can be done to squeeze more out of Defence.

Cutting the Government's capability objectives is not an attractive option. Nothing that has happened in the last two years reduces the priority of any of the capabilities identified as necessary in the *Defence* 2000 White Paper. Nevertheless, the priority of the individual projects should be closely examined to confirm their places in the plan.

Defence reform is not just a matter of fiscal probity—it's a matter of long-term strategic necessity.

There are a number of projects that could be deferred, cancelled or combined to deliver some planned capabilities. For example, the proposal for Air Warfare Destroyers should not be progressed in isolation from analysis of our future combat aircraft requirements. The Light Tactical Airlift Capability could be cancelled and its funding provision transferred to help acquire additional troop lift helicopters. Further upgrades to the FFG frigates and F-111 aircraft need to be closely scrutinised in the light of their expected life. The scale of the replacement Ground Based Air Defence system is debatable. And far greater scrutiny should be imposed on the numerous command and communications projects, as well as proposals for a future Soldier Combat System.

That leaves the option of squeezing Defence to deliver the capabilities it promised for the money committed by Government. Of course that is not simple either. The Howard Government has taken a stronger line on improving the efficiency of the Defence Organisation than had any of its predecessors for decades, placing Defence under real and sustained pressure to lift its game. As a result there have been some important improvements, but more work is needed. The Government may need to take a new and more radical approach to Defence reform to achieve even greater results.

Defence reform

There is no simple recipe for doing this. If there was it would have been discovered by the many very capable people who have led Defence in recent years. Change on the scale needed will not be achieved through more efficiency programs, staff cuts or organisational reshuffles. It will need to focus first on four more deep-seated issues.

First, resolve the chronic ambiguity in Defence's leadership structure by settling once and for all who is in charge of what. This will require, among other things, clarifying the roles of the statutory positions set out in the Defence Act.

Second, expand Defence's skills base. As one of Australia's biggest and most complex organisations, Defence needs to be able to draw on the best expertise available to manage its resources, recruit and retain its people, acquire its major equipment, and deliver its IT. The present public service structure does not allow this. It makes no sense for the Government to expect commercial-standard management in Defence if it is not prepared to pay commercial rates for the job.

Third, get financial management under control. The qualification of Defence's accounts this year, and the massive accumulation of cash in hand at a time when Defence is supposed to be short, suggest that the problems here go very deep. Until this is fixed, it will be hard to make progress elsewhere. Perhaps its time to see what the private sector can offer in this area through contracting out Defence's financial services.

Finally, we need to explore in a fundamental way how to allocate jobs most cost-effectively between Defence's uniformed, civilian and contractor workforces. Much progress has been made, but the ADF's ability to deploy and sustain combat forces remains a modest fraction of its 51,000 permanent and 19,000 Reserve members.

More effective reform of Defence is the most urgent long-term defence policy challenge the Government faces, because unless we can find a way to deliver capability more effectively, Australia's long-term strategic posture will come under pressure.

The Treasurer's intergenerational report released with this year's Budget reminds us that Australia's demographic trajectory has big implications for our long-term economic weight in the region, and hence for our strategic potential. To retain the ADF's traditional position among the most capable and technologically advanced defence forces in Asia, we are going to need to be able to deliver capability more efficiently than many of our Asia Pacific neighbours do, and much more efficiently than we do today. So Defence reform is not just a matter of fiscal probity—it's a matter of long-term strategic necessity.

The public response

On 19 July 2002 ASPI released a discussion paper setting out a dozen of the key defence issues facing the Government and Australia at large. The discussion paper was the basis for a small but valuable public consultation exercise, which we completed by early September. We developed our web-site to incorporate a discussion forum, and we sought your views at public meetings in Brisbane, Darwin and Perth. We also received your comments through written submissions mailed to us at our office in Canberra.

In total we distributed around 3400 copies of *Australia's Defence after September 11—A quick guide to the issues*. In addition, our Web site received a further 2900 hits on electronic copies of the paper. Around 150 people attended the three public meetings and we received about 50 e-mailed or written responses on various aspects of the quick guide. This was our first venture in what will become an ongoing program of public debate initiatives. We were pleased with the public response, recognising that for us this discussion process was as much about developing our program of public activities as it was about hearing community views.

What You Told Us

As we hoped, your responses threw up a number of different views about the issues and questions we put to you. What emerged were a number of themes that appeared to have broad support, if not a consensus. We cannot reproduce the entire spectrum of views here, so we have identified the strongest themes and a few of the more contentious perspectives that were raised. We have also quoted some of the views of our respondents that capture the thoughts of many.

Understanding Terrorism

The nature of the threat posed by al-Qaeda's form of terrorism was raised as a new and frightening development. In discussions about the nature of terrorism and the objectives of terrorists it was suggested by some contributors that al-Qaeda represents a global network quite different from the kinds of conflicts that festered in Ulster, Sri Lanka, Spain and Palestine among other places. In those conflicts it was thought the underlying issues were much clearer and the battle lines were well identified. With this new form of terrorism a more general sense of insecurity exists.

> "The essential definition of terrorism is that it lies outside of the traditional military parameters."

The 'war on terrorism' was thought by some to be a misleading phrase and one that might generate more problems if it became the basis of a defence strategy. Many people supported the view in the discussion paper that the war on terrorism was more like the war on drugs. They considered a 'victory' difficult to declare, and progress hard to judge. Others mentioned the defeat of the terrorist networks that operated in Europe in the 1970s, but considered organisations such as al-Qaeda more daunting and less easily defeated. Nevertheless, it was believed that successes were possible and were more likely if they involved more elements than just the use of military force.

There was also discussion through various media about the root causes of terrorism and how non-military approaches to social destitution, and alleviating the burden on the world's poor may disrupt the breeding grounds for future terrorists. We also received submissions and views that voiced support for providing more aid to build and sustain our neighbours, and strengthen their societies, before their security becomes our concern.

Are we really a target?

The discussion about Australia's vulnerability to terrorist attack took place around two issues: one in relation to the ease with which terrorists might be able to carry out their objectives and the other concerning the attractiveness of Australia as a target, given its prominent and vocal support for the US.

> "And Australia could well be a target, although we do need to keep a sense of our own importance in the international order in perspective. We are not the only, or even the most prominent, country supporting the United States war on terrorism."

At the local level some in the community expressed grave concerns over the risk that key infrastructure might be an easy target for terrorists. Some people pointed out that while the risk from terrorists had to be kept in perspective, the level of public consciousness post-September 11 had increased. In response to those kinds of risks it was thought that more had to be done to design and construct inherently more secure vital facilities. Some people also speculated that our defence forces might have a greater role in ensuring the physical security of some key facilities.

Global concerns and regional interests

Where is the US alliance taking us?

One of the common themes expressed to ASPI concerned Australia's relationship with the United States on foreign policy and defence issues. Specifically, we were told that Australia had, at times, appeared too eager to follow US policy, and there was some scepticism about being too closely aligned with the 'Axis of Evil' politics of the Bush Administration. That said, most of our audiences shared sympathy with the American people for the attacks on the east coast. In the time since those attacks, it appears that many people who responded to our discussion paper thought that cool heads should prevail and we should consider carefully any extended Australian military involvement in the 'war on terrorism'.

Some comments expressed a view that defeating terrorism required governments to consider the motivation of terrorists. In particular, many in our audiences expressed deep concern about the way United States foreign policy had developed. They were quick to point out that sharing the pain of September 11 should not automatically involve sharing the views of the Bush Administration. We received submissions that urged the United States to develop a more sophisticated approach to the events of September 11 and to rethink elements of its foreign policy.

On the issue of possible military action in Iraq, many thought that a better case had to be made before Australian forces were committed. It was suggested that we had not yet exhausted all avenues for a negotiated resolution and that the medium and long term consequences of a war to remove Saddam Hussein needed more thought and discussion.

"Whether we like it or not—the United States of America is pretty unpopular in some parts of the world, and not without reason."

"Whilst we should support America in its grief and its fight for justice as regards September 11, we should also be encouraging them to reconsider and review many of their foreign polices …"

Where should we direct our efforts?

One of the more common views was that Australia's national interest demand that government place a greater focus and emphasis on regional issues. While there was support for the ANZUS treaty as a means of helping Australian governments protect those interests, the public was looking for more independent expressions of Australia's interests. There were views that the preparing for possibility of Australian involvement in military action in Iraq, and particularly the commitment of land forces, was less important than devoting more resources to potential trouble spots in the Asia Pacific. In particular, the responses we received indicated there would be support for military operations only its objectives were clearly defined and our interests were directly engaged.

"The main implication for Australia's future defence and security is that we should not lose sight of the fundamental importance of the independent defence of Australia and our interests."

Many who responded during the consultation process pointed out that we should strengthen our security relationships in our region and in other parts of Asia.

How should we shape the ADF?

The role of the ADF—and consequently, how it is equipped and organised—was the source of some discussion. We heard a good deal of support for a defence force structured to protect our interests in the region. Some thought that the provision of additional resources for our land forces was a higher priority than the acquisition of expensive high technology weaponry, while a key challenge would be our ability to recruit and retain sufficient personnel.

"There may well be a new paradigm but we should not forget the enduring features of our geo-strategic environment. These dictate some fundamental considerations for the ADF force structure, particularly the need for capabilities with reach (an ability to deploy over long distances) and the importance of sustainability…"

We also noted that intelligence and vigilance were identified as the cornerstones of preventing a threat to Australia and that a range of other capabilities would be needed to deal with the aftermath of a terrorist attack.

> "It [the ADF] may need improvements to its training for operating in chemically, biologically and radiologically 'hot' environments, despite the fact that September 11 was essentially a low-technology event. And it needs better intelligence: as Mark Lowenthal observed after September 11, if we're going to fight in the shadows we're going to need better 'eyes'."

In general people thought that the ADF might have a bigger and more prominent role in domestic security, and that this was a better option than seeking to develop a non-military force for 'homeland defence'. The idea of developing a dedicated coast guard received a mixed reception. While some thought the idea had merit, others wondered if it was not a job best left to a properly trained military force.

> "… it may be possible to contract out the "surveillance" part of border protection but the "response" or "enforcement" part requires a professional, disciplined, at least para-military force."

In summary…

The overall sense that we at ASPI gained from your contributions was as follows:

- September 11 was a shocking event and we should not settle in to complacency too easily and we should take sensible measures to reduce the risk of terrorism here;
- Our region should command , and still commands, our attention and that our foreign and defence policies should not be changed to reduce that focus;
- A war in Iraq might be inevitable, but how desirable it might be would depend on what its objectives were and whether all alternatives ways of achieving those objectives had been pursued fully; and finally
- September 11 serves to remind us that more than military force is needed if we are to prevent the conditions that allow terrorists to thrive. We need to improve some aspects of our defence force, and more importantly, view protecting our security as a whole of government activity.

Acronyms and abbreviations

AAR	air to air refuelling
ADF	Australian Defence Force
AEW&C	airborne early warning and control
AFP	Australian Federal Police
ANZUS	Australia, New Zealand and the United States
ARF	ASEAN Regional Forum
ASEAN	Association of South-east Asian Nations
ASIO	Australian Security Intelligence Organisation
ASIS	Australian Secret Intelligence Service
DCP	Defence Capability Plan
EWSP	electronic warfare self protection
FFG	Adelaide Class Frigate
JI	Jemaah Islamiah
JSF	Joint Strike Fighter
MoU	Memorandums of Understanding
NCW	network-centric warfare
ND	National Director of Counter-Terrorism
NSW	New South Wales
PGM	precision guided munitions
PNG	Papua New Guinea
SAS	Special Air Service
TAG	Tactical Assault Group
TNI	*Tentara Nasional Indonesia* (Indonesia's Military)
UAV	Uninhabited Aerial Vehicles
UK	United Kingdom
UN	United Nations
US	United States
WMD	weapons of mass destruction

About ASPI

The Australian Strategic Policy Institute (ASPI) is an independent, non-partisan policy institute. It has been set up by the Government to provide fresh ideas on Australia's defence and strategic policy choices. ASPI is charged with the task of informing the public on strategic and defence issues, generating new ideas for Government, and fostering strategic expertise in Australia. It aims to help Australians understand the critical strategic choices which our country will face over the coming years, and will help the Government make better-informed decisions.

For more information, visit ASPI's web site at **www.aspi.org.au**.

ASPI's Research Program

ASPI Policy Reports: Each year ASPI will publish a number of policy reports on key issues facing Australian strategic and defence decision-makers. These reports will draw on work by external contributors.

ASPI Annual Publications: ASPI will publish a series of annual publications on key topics, including the defence budget, regional capabilities and ADF capabilities.

ASPI Occasional Papers: ASPI plans to publish a series of shorter studies, of up to 5000 words each, on topical subjects that arise in public debate.

Commissioned Work: ASPI will undertake commissioned research for clients including the Commonwealth, State Governments, foreign governments and industry.

ASPI's Programs

There are four ASPI programs. They will produce publications and hold events including lectures, conferences and seminars around Australia, as well as dialogues on strategic issues with key regional countries. The programs are as follows:

Strategy and International Program: This program covers ASPI's work on Australia's international security environment, the development of our higher strategic policy, our approach to new security challenges, and the management of our international defence relationships.

Operations and Capability Program: This program covers ASPI's work on the operational needs of the Australian Defence Force, the development of our defence capabilities, and the impact of new technology on our armed forces.

Budget and Management Program: This program covers the full range of questions concerning the delivery of capability, from financial issues and personnel management to acquisition and contracting out—issues that are central to the Government's policy responsibilities.

Outreach Program: One of the most important roles for ASPI is to involve the broader community in the debate of defence and security issues. The thrust of the activities will be to provide access to the issues and facts through a range of activities and publications.

ASPI Council Members

ASPI is governed by a Council of nine members representing experience, expertise and excellence across a range of professions including business, academia, and the Defence Force. The Council includes nominees of the Prime Minister and the Leader of the Opposition.

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Page 7 October 13, 2002 Police officers inspect the ruins of a nightclub destroyed by an explosion in Bali, Indonesia. AP via AAP © 2002 The Associated Press

Page 9 Osama bin Laden speaks in 1998 at a meeting at an undisclosed location in Afghanistan, according to the source, in this file photo. AP via AAP © 1998 The Associated Press

This file photo dated 24 January 2002 shows Abu Bakar Bashir during a press conference at the Indonesian police headquarters in Jakarta. AFP/AAP/Weda; © 2002 AFP

Page 12 An Australian soldier guards Australian Embassy in Dili, East Timor, Thursday, Sept. 12, 2002. AP via AAP/ Firdia Lisnawati © 2002 The Associated Press

Page 14 Director General of ASIO Dennis Richardson at the 'Terrorism Bill' review at Parliament House Canberra, April 30, 2002. AAP/Alan Porritt © 2002 AAP

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Page 25 Australian Prime Minister John Howard, left, meets with Indonesian President Megawati Sukarnoputri in Cabo San Lucas, Mexico, Oct. 25, 2002 as part of the Asian Pacific Economic Cooperation (APEC) summit. AP via AAP/Tomas Munita © 2002 The Associated Press

Page 28 AAP picture, claiming to show members of the Malaitan Eagles Force which attempted to overthrow the Solomon Island's Prime Minister Bartholomew Ulufa'alu. AAP © 2002 AP

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Page 33 A demonstration of the Tactical Assault Group (TAG) on August 20, 2002. © Defence Dept.

Page 35 Australia's F/A-18 refuel over Diego Garcia during recent deployment as part of the war on terror. © Defence Dept.

Page 38 RQ-1 Predator with Hellfire missiles. Photo courtesy of General Atomics Aeronautical Systems, Inc.

Page 40 Australia—US Ministerial Consultations in Washington 30 Oct. 2002. Pic L–R: Australian Foreign Affairs Minister, Alexander Downer, US Secretary of State, Colin Powell, US Secretary of Defense, Donald Rumsfeld and Australian Defence Minister, Robert Hill. © Defence Dept.

Page 44 Maintenance being undertaken on an F-111. © Defence Dept.

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AUSTRALIAN STRATEGIC POLICY INSTITUTE

ASPI ■ Level 2 Arts House 40 Macquarie Street Barton ACT 2600 ■ T +61 2 6270 5100 ■ F +61 2 6273 9566 ■ www.aspi.org.au

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Beyond Bali:
ASPI's Strategic Assessment 2002

These are testing times for Australia and for Australia's security policies. It is now almost two years since the *Defence 2000* White Paper set out the Government's plans for Australia's strategic policy and defence forces over this decade and beyond.

So even without the tragic events of 11 September 2001 and 12 October 2002, a review would be timely. The rise of terrorism as a threat, globally, regionally and to Australia specifically, makes a review both urgent and imperative.

Beyond Bali, which is ASPI's first annual strategic and security policy review, identifies three core challenges which we believe Australian policy must address now and over the coming years.

- The first challenge is combating terrorism. We now face an unprecedented risk from terrorism, and our most urgent policy priority must be to respond effectively.
- The second challenge is to focus Australia's wider international posture more effectively on those approaches which will do most to stop further deterioration in our security environment in the Asia-Pacific over coming years.
- Thirdly, we need to maintain and possibly increase the momentum in developing our defence capabilities which was launched with the Government's Defence White Paper in 2000.

This paper offers the Government and the public an independent view of Australia's security needs. The policy recommendations made are selective. They focus on those issues that we see as being most important to Australia's security.

It aims to present clear proposals for an effective response to the threat of terrorism. But its also looks beyond that urgent need, recognising that Australia has other long-term strategic interests and priorities which we must keep in view.