Beyond Baghdad:

ASPI's Strategic Assessment 2004

Prepared by
Peter Jennings
Director of Programs

First published May 2004

Published in Australia by the Australian Strategic Policy Institute

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

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

Jennings, Peter, 1963-.
Beyond Baghdad: ASPI's strategic assessment 2004.

ISBN 1 920722 31 9

1. National security - Australia. 2. Terrorism - Australia.
3. War on Terrorism, 2001- . 4. Australia - Military policy.
I. Australian Strategic Policy Institute. II. Title.

355.033594

Contents

President Bush declaring the end of major combat in Iraq, May 1, 2003. AP via AAP/J. Scott Applewhite

Director's introduction

Australia faces its most challenging and turbulent strategic outlook since the mid-1960s. In this report we survey the strategic horizon and make key policy recommendations.

ASPI's first Strategic Assessment, *Beyond Bali*, was published in November 2002 in the aftermath of the terrible bombings in Indonesia that killed 202 people, among them eighty-eight Australians. Our 2004 Strategic Assessment, *Beyond Baghdad*, appears in May, just weeks after the horrific terrorist bombings of passenger trains in Madrid and widespread fighting in Iraq. Sadly, the threat of terrorism and the question of how to deal with it continue to be central strategic preoccupations. But they are among a number of highly complex strategic policy issues with which Australia has struggled over the past eighteen months.

The scope and nature of these complex challenges is reflected in recent and current deployments of the Australian Defence Force (ADF), Australian Federal Police (AFP) and civilian officials. In March 2003, the government committed around 2,200 Australian ADF personnel to the war in Iraq. Fourteen months later, around 850 remain there and in the wider Middle East. In July 2003, Australia led a multinational intervention force into Solomon Islands. Several thousand ADF, police and civilian personnel were deployed and in April 2004 over 550 were still serving there. Defence personnel continued peacekeeping roles in East Timor, practised interception tasks aimed at preventing the spread of weapons of mass destruction (WMD) with the US and other countries, and strengthened our domestic security arrangements. In April 2004, a large contingent of Australian Federal Police and civilian officials was preparing to go to Papua New Guinea in an effort to prevent a further deterioration of law and order.

This complex environment presents the government with an array of difficult policy choices and no easy solutions. Strategic changes have forced the government to review key areas of policy, including our approach to the troubled island states of the South Pacific. Our counter-terrorism strategies have been under constant, and necessary,

review. And there has been a sustained debate about the central roles and missions of our defence forces.

In this report, we survey Australia's strategic horizon. The range of issues is very wide indeed, covering terrorism, the Middle East, changes in the nature of warfare, our vital US alliance, and developments in the Asia–Pacific from North Korea to Solomon Islands. Where appropriate, we make recommendations for new or modified policies that might prove useful to government.

Horizontal problems, vertical bureaucracy

A key finding is that Australia should increasingly treat our defence, foreign affairs, domestic security and intelligence policies as components of a broader national security strategy. Many of the challenges we face—terrorism, border insecurity, reversing systemic decline in the South Pacific—require action beyond the scope of any single government agency. These challenges are *horizontal*—they span the concerns of many government departments and even cross lines of state and federal responsibilities. But the structures we use to handle them are *vertical*—our agencies have specifically defined roles and missions, and often have limited connections with other agencies.

The solution is, emphatically, *not* to build new or even bigger bureaucratic structures. More bureaucracy only makes the coordination problem less visible to outsiders and, in any event, it makes no sense to redesign the shape of government to deal with a specific issue.

There is, however, a stronger need to coordinate the efforts of agencies involved in defence and security, and to do it within a clearly understood national security framework. In part, this is being delivered through the National Security Committee of Cabinet, and through changes recently made to Australia's security arrangements. In this strategic assessment, we detail these changes and suggest some necessary next steps.

Peter Jennings, ASPI's Director of Programs, wrote this report, with the assistance of our program directors, Elsina Wainwright, Mark Thomson and Brendan McRandle. Professor Robert O'Neill and a number of ASPI Council members provided helpful comment. Peter and I would particularly like to thank Janice Johnson for her unfailing efforts in managing our publications output.

As with all our publications, the views expressed in this report are not to be taken as those of ASPI as an institution. Responsibility for the views expressed here rests with Peter Jennings, and with me as Director.

Hugh White
Director

Executive summary

ASPI's first strategic assessment, *Beyond Bali*, was published in November 2002 following the bombings in Indonesia that killed 202 people. Our new assessment, *Beyond Baghdad*, appears in May 2004, just weeks after the Madrid train bombings and widespread fighting in Iraq. The threat of terrorism is still a central strategic preoccupation. Indeed, Australia faces its most challenging and turbulent strategic outlook since the mid-1960s.

The threat of terrorism has brought about some important changes to Australia's national security decision-making structures. But there is never a point at which governments can afford to stop developing new counter-terrorism strategies. We must be confident that the total value of these measures is greater than the sum of their parts.

Terrorists will attack Australia if they identify an opportunity. We must take al-Qaeda at its word when it repeatedly claims that Australia is a target. The lethal connection between militant Islam, violent extremists and terror may confront us for years, if not decades.

Iraq's future prospects are currently poised on a knife edge. One possible outcome is the creation of a stable, more open and prosperous regime in the Middle East. The other is anarchy, and a substantial if temporary rebuff to America's place in the world. The skill with which military operations and political affairs are conducted for the remainder of 2004 will have a major influence on which of these outcomes is more likely.

Australia's involvement in the Coalition is an important signal of our support for the US and for the essential work of rebuilding Iraq. Australia's interests are served by maintaining a strong commitment to the Coalition and the reconstruction of Iraq.

Australia faces its most challenging and turbulent strategic outlook since the mid-1960s.

We're entering an **age of warfare**, where precision strike weapons and low-technology fertiliser bombs compete uneasily for dominance. Network-centric warfare—the complex integration of sensors, communications and weapons—presents both options and challenges for the ADF.

This will involve difficult policy trade-offs for Australia. We must ensure that our forces have the technical capabilities to operate with the US military, and also that this investment works to enhance our independent military capabilities. There is an urgent need to rethink our military doctrine and training in the light of these high-technology trends.

America's economic and military power will make it the world's strongest state for the foreseeable future. Regardless of who is in the White House, retrenchment from Iraq or a weakening of counter-terrorism strategies is not a tenable option for any US administration. Australia's defence alliance with the US remains vital, and we should look for new ways to strengthen cooperation while retaining our independent approach to security. We should establish a regular Australia–US dialogue on China, and increase practical cooperation on intelligence sharing, military exercises and, in a limited way, on ballistic missile defence.

In **North Asia**, the character of Chinese power is the dominating strategic issue. China's economy continues to grow, and we're seeing a new phase of constructive diplomacy from Beijing. In Japan, a brighter economic picture is matched by more outward-looking foreign and security policies.

Australia's task is to maximise our influence with the North Asian powers in shaping a secure and stable region. We should use our position to act as a 'friendly counsel' with Washington and Beijing as they interact on security. We need also to build more substantial security ties with the Chinese and deepen our relationship with Japan with more practical military-to-military cooperation.

In **Southeast Asia**, governments are struggling with a number of problems: economic modernisation, weak administration, demands for less paternalistic political systems, religious fundamentalism and terrorism, and leadership transitions. The next few years will be particularly challenging for the region.

Police cooperation has done a great deal to improve Australian–Indonesian relations and should be Australia's first priority, ahead of military-to-military links. We should now aim to build a broad military-to-military relationship with Vietnam. It's also time to explore how our relationship with Malaysia can be reinvigorated.

In the **South Pacific**, Australia's policy of more active engagement has produced positive results in Solomon Islands.

Helping PNG reform is a much more substantial task. The Enhanced Cooperation Package is a step in the right direction, but we need an overarching strategy for our assistance to PNG, and we need to reinvigorate the relationship at all levels by redeveloping people-to-people links. While Australia must ask tough questions about the long-term viability of some South Pacific states, it makes sense to move towards increased regional integration, including on security.

Australia has had a lively **strategic policy** debate over the past few years about the core focus of our strategic and defence policies, and there is now greater emphasis on the ADF's capacity to deploy, sustain and operate forces in our near region. However, the pace of strategic change is accelerating, and the need to ensure that our defence policies are

adequate means that the government should prepare a new Defence White Paper for release in 2005.

A major change in Australian policy-making since the October 2002 Bali bombings has been the emergence of a more coordinated and centrally driven **national security policy**. In an age when security problems are horizontal, our government structures are vertical. We need to treat defence, foreign affairs, domestic security and intelligence policies as components of a broader national security strategy.

A sensible next step would be for the Prime Minister to sponsor the development of a national security policy statement to clarify and strengthen key lines of policy across all government departments.

Recommendations

Terrorism

- A national counter-terrorism strategy is needed to ensure that Australia is setting the right priorities, coordinating work, identifying gaps and finding solutions.
- The forthcoming White Paper on terrorism should address the root causes of support for terrorist groups, as well as strategies to counter current threats.

Iraq

- Australia should maintain a strong commitment to Iraq and to the military Coalition. In time, it may be possible to reduce our military presence and focus on humanitarian aid, reconstruction and trade.
- Australian support for the US is important to sustaining a multilateral response in Iraq and in working to defeat international terrorism.

Warfare

- We must carefully select which ADF military elements to make highly compatible with US forces. These choices must complement our own strategic priorities.
- Australia needs to rethink the human dimension of network-centric warfare, in particular by reviewing ADF training and battlefield doctrines.

The United States

- Australia should propose a senior-level strategic dialogue with the US on China's emerging power, and we should deepen the exchange of strategic assessments about the Asia–Pacific and global security.
- The proposal to establish a joint US–Australian exercise and training facility in Australia is valuable and should be developed in greater detail.
- Australian involvement in ballistic missile defence is sensible, but any investment shouldn't distort our strategic priorities.

North Asia

- Australia should expand military and strategic dialogue with China and seek to act as a 'friendly counsel' with Washington and Beijing as they interact on security.
- Australia should increase security cooperation with Japan, with measured steps to improve military-to-military ties. This could start by exchanging the military lessons learned from both countries' operations in East Timor and Iraq.

Southeast Asia

- Cooperation between police forces will be the most fruitful form of security links with Indonesia and should be Australia's first priority, ahead of military ties.
- We should aim to build a military-to-military relationship with Vietnam.
- It's time to reinvigorate security relations with Malaysia, perhaps through a visit to Kuala Lumpur by the Australian Prime Minister.

South Pacific

- Australia should build on the excellent Enhanced Cooperation Package with Papua New Guinea to create an overarching strategy for assistance to that country.
- Government should foster more Australia–PNG people-to-people links between officials, parliamentarians, the business sector, academics and youth.
- The government should continue to encourage South Pacific integration in economic and financial management, trade, education and security.

Strategy

- The government should prepare a new Defence White Paper for release in 2005.

National security

- The government should develop a national security policy statement to clarify and strengthen key lines of security policy across all departments.
- Departments and agencies should review their structures to make a more effective contribution to national security policy.
- Government should reject proposals to create a huge national security department.

Chapter 1

TERRORISM

Terrorists will attack Australia if they identify an opportunity. Government and our counter-terror agencies must constantly review how effectively they are meeting this challenge.

Combating terrorism has been a central focus of the developed world since the al-Qaeda attacks in the US on 11 September 2001. It is likely to remain a major strategic concern for the foreseeable future.

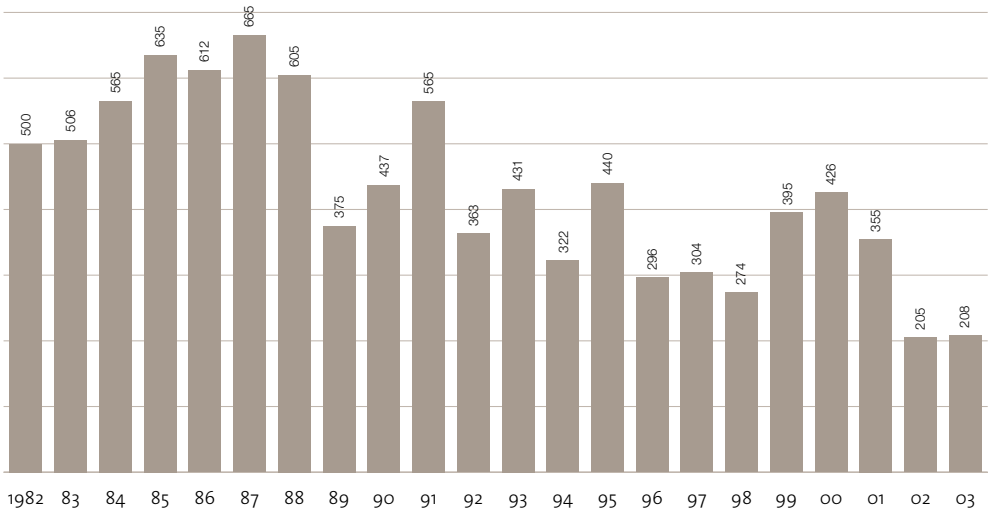
Of course, terrorism is not a new style of warfare. US State Department figures show many terror attacks around the world in the 1990s, but these were mostly small scale, unconnected internationally, and located in Africa and Asia. The threat from al-Qaeda is different because of its sophistication, global reach and troubling connection with extremist Islam. It's still unclear whether the March 2004 train bombings in Madrid were al-Qaeda's murderous handiwork. If they were, there is clearly much still to be done to reduce al-Qaeda's capacity to attack the West. It will be just as worrying if the Madrid bombings show no connection to Osama bin Laden. That would imply that the scale of the terrorist threat is growing, with splinter and copycat groups able to mount complex and devastating attacks in our cities.

Banner at Madrid's railway station Atocha, March 15, 2004. AP via AAP/Anja Niedringhaus © 2004 The Associated Press

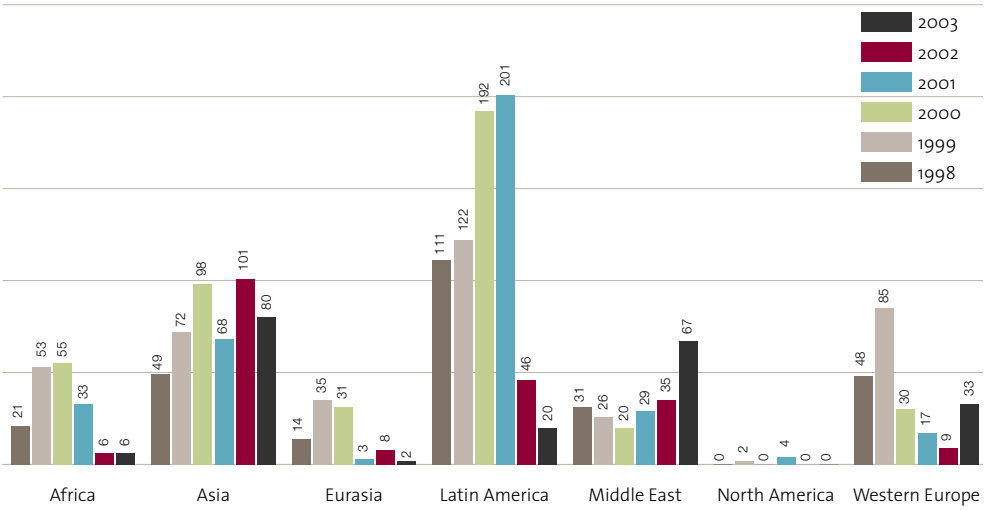
Our lack of clear information about the Madrid bombers points to the great difficulty that governments face in gathering intelligence about terrorist groups. The western foreign intelligence community was built to gather information primarily about state-based threats. Lower-technology terrorists make a much more fleeting target. There is still a great deal we don't know about al-Qaeda. We don't have a clear understanding of the capabilities it retains for mounting major attacks in the West. We don't fully know where al-Qaeda has put its agents and how it passes orders to them. We don't know how its finances operate and the nature of its links to dozens of counterpart groups like Jemaah Islamiah (JI). We don't know how its leaders think and operate, or even precisely where they are.

We do know, however, that al-Qaeda and other groups are able to use the West's financial and communications networks—including the internet—in support of their objectives. The World Trade Center attacks and the Bali and Madrid bombings all show that these terror groups understand clearly the psychological impact their work has on western populations. This points to a sophisticated and determined terrorist leadership and a threat that won't be eradicated quickly or easily.

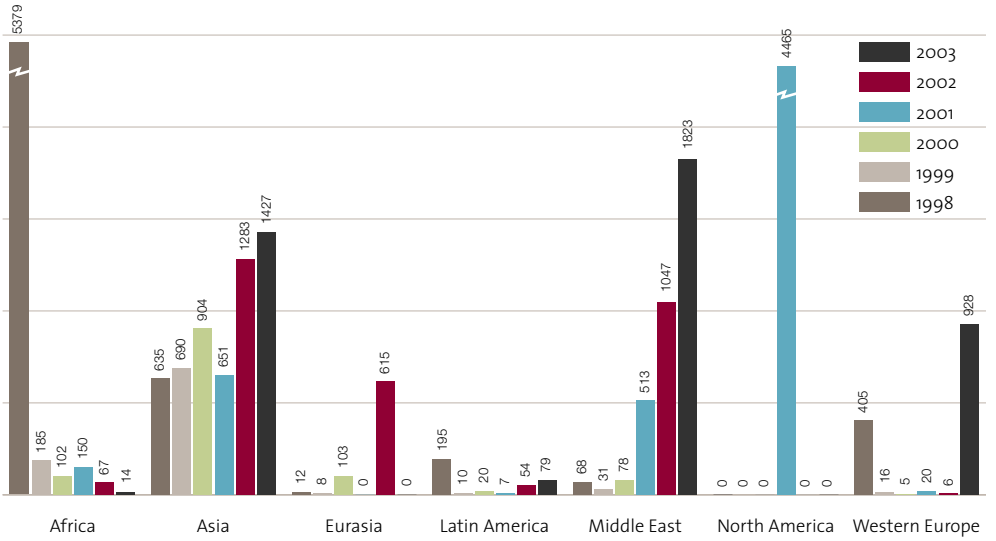
Total International Terrorist Attacks, 1982–2003



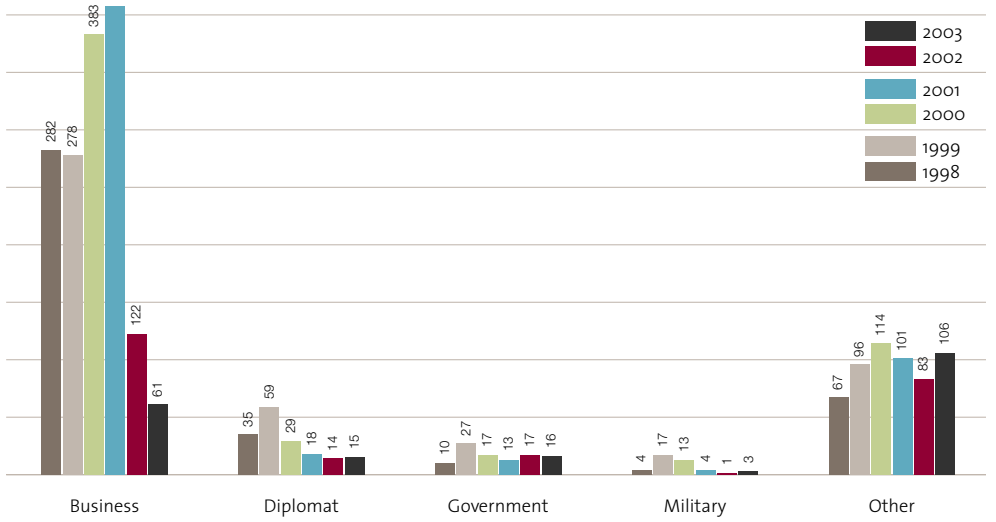
Total International Attacks by Region, 1998–2003



Total International Casualties by Region, 1998–2003



Total Facilities Struck by International Attacks, 1998–2003



Source: Patterns of global terrorism. Released April 29, 2004. US Department of State. Office of the Coordinator for counter-terrorism.

However, there have been some important counter-terrorist successes. The removal of the Taliban regime in Afghanistan stripped al-Qaeda of its main support base. The US estimates that around 70% of al-Qaeda's senior leadership and over 3,400 'operatives and associates' have been killed or captured. This includes the organisation's operations chief, Khalid Sheikh Mohammad and—importantly for Australia—the senior planner for Southeast Asia, Hambali. Over US$200 million in terrorism-related financial assets have been seized or frozen in bank accounts internationally.

In Southeast Asia, JI has also been weakened since the Bali and Jakarta Marriot bombings. By the end of 2003, as a result of excellent work by the Indonesian police and with Australian Federal Police cooperation, some two hundred JI members had been arrested and the Bali bombers were being convicted in Indonesian courts.

But terrorism is a long-term form of warfare, and the particularly lethal connection between Islam, violent extremists and terror may confront us for years or decades. Taking a broad view, it may be that our successes so far have been mainly tactical. The appeal of al-Qaeda's message to its extremist audience remains as strong as ever, and is perhaps even stronger. If the Madrid bombings prove to have been committed by al-Qaeda, that would be a sign that it has regained some of its ability to undertake truly international operations.

The threat to Australia

Al-Qaeda propaganda cites Australia as a target because of our perceived role in removing East Timor from Islamic Indonesia, and because of our US alliance and involvement in the wars in Afghanistan and Iraq. We have little choice but to take al-Qaeda at its word. As Dennis Richardson, the Director-General of the Australian Security Intelligence Organisation (ASIO) said in August 2003: 'a catastrophic attack is a certainty and only a matter of time.'

Then there is JI. The October 2002 Bali bombings were not specifically directed against Australia, but rather were an attack against the West more generally. JI's capabilities to mount attacks seem to be localised to the Indonesian archipelago, the southern Philippines and, to a lesser extent, wider Southeast Asia. But, again, our knowledge about JI and the constantly shape-changing collection of groups around it is imperfect. We should remember that JI's plan to mount an attack in Singapore in late 2001 was far advanced before the plot was discovered. JI would undoubtedly attack targets in Australia if it had the means and could find a suitable point of weakness.

How and where might this threat to Australia and our interests materialise? The Australian personnel currently deployed in Iraq face a clear possibility of attack, although whether this would amount to a terrorist act would depend on the specific circumstances. In 2003 and 2004, attacks have been mounted by anti-Coalition elements in Iraq against British, Italian, Spanish and other forces. The anti-Coalition elements have no doubt deliberately sought to target allies of the US in Iraq in an attempt to weaken the Coalition's resolve. There is evidence of some al-Qaeda direction behind this strategy, in the form of the al-Qaeda affiliated Zarqawi network and infiltration into the country by foreign *jihadi* fighters.

There's also the possibility that JI or other groups might target our government and business interests and our citizens travelling overseas. At any time, almost a million Australians live and work overseas—a larger proportion of our total population than the proportion of US citizens overseas. Australians make over 3.5 million overseas visits a year, and there is a strong off-shore Australian business presence, including a growing and visible retail sector in Southeast Asia. Businesses usually have low levels of protection and are typically the terrorists' preferred target. Companies and individuals in these areas should make careful risk assessments of their security.

...terrorism can rapidly change shape to take advantage of perceived weaknesses.

Finally, there's the risk of an attack on Australian soil. Australia is by no means a soft target, but the chance of an attack here in the short term is very real. To prevent terrorists from entering Australia and setting up a base of operations here, we must give the highest priority to intelligence, border security and related matters such as identity fraud. We must prepare against the generally understood 'standard' terrorist threats—bombings, aircraft hijackings and so on—but terrorism can rapidly change shape to take advantage of perceived weaknesses. As Australia's role and security activities in our own region develop, the terrorist threat will change to keep up, seeking to attack us where we least expect it.

Australia's counter-terrorism response

During 2003 and early 2004, the government significantly increased counter-terrorism resources, committing an additional $1.4 billion on new measures. These included expanding the ADF's special forces capability to respond to attacks, boosting intelligence gathering and analysis, increasing air transport and port security, working more closely with business on critical infrastructure protection and information sharing, and developing a network for counter-terrorism cooperation with countries in the Asia–Pacific region.

Since 11 September 2001, the government has made significant efforts to strengthen coordination of intelligence advice. After Bali, the Department of Prime Minister and Cabinet assumed overall responsibility for driving policy, and in October 2003 the Attorney-General launched the National Threat Assessment Centre. This centralised the threat assessment function, bringing together seconded staff from other intelligence and law enforcement agencies. The centre plans to operate 24 hours a day from June 2004.

There is now more coordination between the different intelligence agencies, including a liaison cell operating in ASIO involving seconded members from other organisations. There is, however, a difference between *liaison* and *integration*. The production of intelligence and assessments is still fundamentally a responsibility of individual agencies. This may be perfectly adequate for the nation's needs, but we've seen that terrorist groups are difficult and subtle targets. They succeed when they find ways to slip between our highly structured monitoring and assessment capabilities. Government and our own counter-terror agencies must constantly test how effectively they are meeting this challenge.

The threat of terrorism has brought about changes to Australia's national security architecture in the past few years...

In March 2004, the government foreshadowed a further $400 million increase in intelligence funding. The money is welcome, but over the longer term it might not be the limit to the extra financial support the intelligence community needs to combat terrorism.

The threat of terrorism has brought about some profound changes to Australia's national security architecture in the past few years, not least by strengthening mechanisms for whole-of-government decision-making about national security. Many dozens of separate measures have been taken to strengthen our counter-terrorist capability.

The challenge is to think of security beyond its military dimension, and to ask what can be done with aid, diplomacy, education and people-to-people contacts to weaken extremism's grip...

The range of initiatives is considerable, and touches on many national and state government responsibilities, but there is never a point at which governments can afford to rest in thinking about new strategies and approaches to counter-terrorism. We need to be confident that the total value of our counter-terror measures is greater than the sum of their parts. We need an overarching national counter-terrorism strategy to ensure that Australia is taking the best possible approach in setting priorities, coordinating work, identifying gaps and finding solutions. The National Counter-Terrorism Plan goes some way towards this by outlining responsibilities, authorities and mechanisms to prevent terrorist acts or manage their consequences, but this work could be taken further at a more strategic level.

In late March 2004, the government announced a forthcoming White Paper on terrorism. The paper will explore the origins, structures, purposes and methods of terror groups. It could make a useful contribution to combating terrorism if it deepens our understanding of the root causes of the problem. So far, the global response to terrorism has focused on ways to destroy or deter people already committed to their cause. This is an essential and continuing task, but the longer term solution to terrorism must surely include a strategy to wipe out its foundations. Defining the shape of this strategy is not simple. It will certainly require us to go beyond the usual nostrums about aid and development, and about the influence of Israel and Palestine.

The challenge is to think of security beyond its military dimension, and to ask what can be done with aid, diplomacy, education and people-to-people contacts to weaken extremism's grip and make the task of terrorist recruiters much harder.

Chapter 2

IRAQ

Australia's capacity to shape outcomes in Iraq is limited. But our involvement in the Coalition is a signal of our support, both for the United States and for the crucial work of rebuilding Iraq.

Iraq's future prospects are poised on a knife edge. One possible outcome is the creation of a stable, more open and prosperous regime in the Middle East. The other is anarchy, and a substantial if temporary rebuff to America's place in the world. The skill with which military operations and political affairs are conducted for the remainder of 2004 will have a major influence on which of these outcomes is more likely, so Iraq will remain a key national security focus for much of the world. Australia has a direct interest in doing what we can to help shape a positive outcome in Iraq. Quite apart from Middle East stability and humanitarian concerns, it's in our interests to see that the US emerges from Iraq with its power and influence intact.

What outcomes are we likely to see in Iraq over the rest of the year? The counter-insurgency war will certainly continue. According to data collected by the US Brookings Institution, the number of attacks against Coalition forces (between fifteen and twenty-five a day) remained fairly steady between November 2003 and the end of March 2004. The high point was estimated to have been in September 2003, at around fifty a day. Attacks against Iraqi security forces over the same period varied between two and four a day.

The table shows the impact of car bombs and suicide bombers from May 2003 to mid-April 2004. The numbers don't suggest a clear pattern. February, with sixteen, had the most attacks, but in March there were only six. In April, a significant upswing in violence perhaps signalled the start of a hotly contested period in the lead-up to the mid-year handover of power to Iraqi authorities.

The overall number of insurgents was estimated in April to be between 3,000 and 5,000. It's particularly hard to build an accurate estimate of Shiite capabilities because, after long years of oppression by Saddam, they have a tradition of concealing their forces and intentions. Around

1,800 suspected insurgents have been killed or detained in the first quarter of 2004. US forces suffered 548 fatal casualties in the twelve months to mid-April 2004, 383 of these in hostile action. UK and other Coalition forces have had sixty-seven fatalities over the same period.

US Troop Fatalities since May 1, 2003

Month	Fatalities (all kinds)	Fatalities in hostile incidents	Fatalities in non-hostile incidents
May	37	8	29
June	30	18	12
July	46	27	19
August	36	14	22
September	30	18	12
October	44	33	11
November	82	70	12
December	40	25	15
January	46	41	5
February	21	12	9
March	51	33	18
April	85	84	1
Total as of April 14	**548**	**383**	**165**

British Troop Fatalities since May 1, 2003

Month	Fatalities
May	4
June	6
July	1
August	5
September	2
October	1
November	1
December	0
January	5
February	1
March	0
April	0
Total as of April 14	**26**

Non US & UK Coalition Fatalities since May 1, 2003

Month	Fatalities
May	0
June	0
July	0
August	2
September	1
October	2
November	24
December	9
January	0
February	1
March	0
April	2
Total as of April 14	**41**

Source: Iraq Index: tracking variables of reconstruction & security in Post-Saddam Iraq. Updated April 14, 2004. Washington, The Brookings Institution.

Mass casualty bombings in Iraq since May 1, 2003			
Month	Mass casualty car bombings/ Suicide bombings	Killed	Wounded
May	0	0	0
June	0	0	0
July	0	0	0
August	3	128	292
September	2	1	21
October	12	73	246
November	4	48	150
December	12	64	223
January	7	51	237
February	16	149	240
March	7	193	435
April	0	0	0
Total as of April 14	62	707	1844

Daily insurgent attacks on US Troops and Reward offered by Insurgents for Attacking US Troops since May 1, 2003		
Month	Typical number of daily attacks on US troops nationwide	Reward for carrying out attacks on US Troops ($) (attack/successful attack)
May	N/A	100/500
June	6	N/A
July	N/A	N/A
August	15	N/A
September	50	N/A
October	30-35	1000-2000/3000-5000
November	22	N/A
December	15	500/3000
January	18	N/A
February	20	N/A
March	25	N/A

Source: Iraq Index: tracking variables of reconstruction & security in Post-Saddam Iraq. Updated April 14, 2004. Washington: The Brookings Institution. N/A = Not Available

Iraq's difficult prospects

Can any conclusions be drawn from these grim statistics? The first is that it will be a dramatic and testing year both for the Coalition and for its opponents. The second is that it's too early to say the Coalition is winning decisively. The relatively small scale of insurgent resistance is given disproportionate prominence by the extent of Western media coverage. The danger exists that the insurgency will attract new recruits and sources of support, and sustain this level of resistance into the long term.

Sustained resistance might create an outcome where, out of frustration, more Iraqis join the insurgents. Mass opposition to the Coalition forces would be almost impossible to quell, given the limited number of US and allied troops on the ground (137,000 in April 2004). Faced with this situation, Washington would have to increase its military presence or—far more likely—speed up its exit. A badly prepared handover to a hastily cobbled-together Iraqi government would be a recipe for disaster. The potential for Iraq to split along ethnic and religious lines would increase. This could threaten wider stability in the Middle East, as countries like Iran, Syria and Turkey might feel compelled to intervene in Iraqi affairs to assure their own security. In this scenario, America's international position would take a heavy battering.

The danger exists that the insurgency will attract new recruits and sources of support, and sustain this level of resistance into the long term.

A more optimistic scenario for Iraq would see declining attacks against Coalition forces as insurgent fighters are gradually captured, killed or simply give up fighting because they calculate that their cause is lost. For this to happen, there must be further progress in the return of basic services to the Iraqi people, such as potable water, electricity, fuel, education and health care. The Iraqi economy must be restarted and its capacity for oil exports rebuilt. There must also be progress in the creation of Iraqi political structures that can genuinely run the country, and believable plans for an election at some point in the future. If this sort of progress can be made, anti-Coalition insurgent groups will find it harder to get popular backing.

In April 2004, it's impossible to make a confident judgment about whether events are taking a positive or a negative path. The current increased level of fighting might signal the onset of broader Iraqi resistance, or it might prove to be the last sustained effort on the part of insurgents. There are some positive developments. Basic services are returning to pre-war standards or better. Many Iraqis may not like the US, but they don't seem to be working actively for the insurgents and they are themselves often targeted by terror groups. However, no-one could dismiss the chance that the situation will get markedly worse. In particular, the scheduled handover of power to an Iraqi administration in June 2004 is likely to create a focal point for increased insurgency. As challenging as the handover is going to be, Iraq's prospects for stability may be improved if the Iraqi people accept that the country is being run by their own administration and not by an occupying power.

But Coalition forces will continue to be needed in Iraq. Although the Iraqi security forces are growing rapidly, they won't be able to take primary responsibility for combating the insurgency for some time to come.

Australian ASLAV Crew from the security detachment based in Baghdad meet a RAAF C130 at Baghdad International Airport, June 2003. © Defence Dept.

Australia and Iraq

Australia's involvement in the Coalition is an important signal of our support for the US and for the essential work of reconstruction. It's in our interests to maintain that commitment. In the short term, this requires the ADF to undertake various roles—protecting our diplomatic mission, training members of the Iraqi security forces, providing air traffic controllers at Baghdad airport, among other tasks. Over the longer term, if and when the security situation improves, we might be able to reduce the size of our deployment. Then our humanitarian, reconstruction and business development assistance could become a more prominent part of our effort to help rebuild Iraq.

As a member of the Coalition, Australia can play an important role in moderating some of the post-9/11 unilateral instincts of the US. At this point, Washington needs its allies to provide support and avenues for a multilateral approach to Iraq and to the broader challenge of international terrorism. Although international reactions to the Madrid bombings and the current kidnappings of foreign nationals in Iraq may have threatened the international cohesion of the Coalition, it's now even more vital that our commitment stays solid. If we were seen to lessen our involvement in Iraq, other countries would certainly come under increased pressure to reconsider their commitments.

As a member of the Coalition, Australia can play an important role in moderating some of the post-9/11 unilateral instincts of the US.

Complex Strategic Geography: The Middle East, 2004

Chapter 3

WARFARE

We are entering an age of warfare, in which precision strike weapons and low-technology fertiliser bombs compete uneasily for dominance. Can one defeat the other? Australia must think through its options carefully.

One can think of the Iraq War as falling into two distinct stages. The period up to 9 April 2003, when Saddam's statue was toppled in central Baghdad, was a high-technology war of precision bombing, real-time intelligence and rapid ground manoeuvre. Since then, the war has been a grinding, low-technology effort of 'boots on the ground' patrolling and bloody small-arms encounters at close quarters. This statement is, of course, a generalisation—both phases had high-tech and low-tech elements—but it is broadly correct. From the Iraq War experience, a debate has begun about warfare in 2004 and beyond. The key arguments are over whether the fundamental nature of warfare is changing, and whether network-centric warfare (NCW)—the complex integration of sensors, communications and weapons—marks a path that we must take for our future security. What are the implications of this debate for Australia?

The high-technology case

US Secretary of Defense Donald Rumsfeld and Deputy Secretary Paul Wolfowitz make the strongest case that the Iraq conflict showed a fundamental transformation of warfare. They point to four key aspects of the war: knowledge, speed, precision and lethality. US intelligence collection assets arrayed over Iraq had significantly greater capabilities than in the 1990 Gulf War. They ranged from satellite systems to information gathered by Special Forces and relayed back to commanders in near-real time. US knowledge of the battlefield made it possible to quickly identify targets and destroy them from the air. The speed of the US deployment into the Middle East and the rapid

movement of armoured forces through Iraq gave their opponents little time to react or prepare defences.

...these kinds of advances enabled a force about one-half the size to achieve in about one half the time using about one seventh the munitions—a far more ambitious objective as compared to Desert Storm. (Paul Wolfowitz)

66% of air-dropped munitions were precision guided, compared to only 8% in the 1990 war. Their accuracy and lethality was such that the US dropped only one-seventh as many bombs as it used in the Gulf War's Operation Desert Storm. And these weapons hit their targets, keeping civilian casualties well below some grim pre-war estimates. In terms specifically of ground combat troops, the Coalition force was only about one-quarter the size of the forces used twelve years earlier—sufficient for the war, but not for stabilising Iraq after major hostilities ceased. Its initial success was largely the result of the air campaign's devastating destruction of Iraqi force concentrations and command elements. Paul Wolfowitz's conclusion:

> In combination, these kinds of advances enabled a force about one-half the size to achieve in about one half the time using about one seventh the munitions—a far more ambitious objective as compared to Desert Storm.

The low-technology case

While the better use of information and connectivity were important factors in the Coalition's successes, the Iraq War was still mainly fought conventionally against a largely conventional enemy. Older-style Abrams tanks, five-ton logistics trucks and the long-established techniques of combined-arms attacks were all crucial to the outcome. And, of course, the state of the Iraqi military played a part too. At around 400,000 people, the Iraqi army was half its 1991 strength and without a realistic air or maritime capability.

The second phase of the war has been a gritty exercise in street patrolling and small-arms engagements that have as much to do with the industrial as the information age. The weapons and tactics of the Iraqi insurgents are effective, but hardly sophisticated or new. NCW can play a role—US intelligence systems are vital in hunting down insurgents—but the current guerrilla war in Iraq shows that technology is no substitute for enough troops on the ground. The US may not need relatively large numbers of forces to invade, fight and win conventional wars, but substantial forces are needed to stabilise and rebuild countries.

...the current guerrilla war in Iraq shows that technology is no substitute for enough troops on the ground.

Pre-emption and the utility of military force

NCW confers a major advantage in the early stages of a conflict, when highly accurate air strikes can devastate military forces and their command and control infrastructure. Does this type of military superiority encourage the US to use pre-emptive strategies? This seems unlikely, especially in the complicated aftermath of Iraq, where we've seen that winning the peace is a far more protracted task than winning the war.

The US capacity for military pre-emption has featured strongly in American strategic thinking since their War of Independence. It's difficult, though, to imagine that we'll see a repeat of the unique set of circumstances that led to the 2003 Iraq War. These certainly don't exist, for example, on the Korean peninsula. A US strike might be successful in destroying the North's nuclear and missile capability, but success would not be certain enough to make a strike worth contemplating, except as an absolutely last resort. Effective pre-emption, in other words, requires highly accurate and often unobtainable intelligence information.

Even with its unparalleled military power and its growing capacity to use NCW as a decisive, battle-winning capability, the US can't hope to use military pre-emption as a regular strategy in international affairs. So, where diplomacy and non-military means are called for, Washington will continue to seek broader international cooperation. This is a desirable outcome, because the frequent use of pre-emption might lead other states to conclude that they should use it too.

What does NCW mean for Australia?

The government's November 2003 Defence Capability Review (DCR) identified an increased requirement to position the ADF to exploit current and emerging NCW technology. The details of Defence's plan to apply NCW are still sketchy, but a number of the announcements emerging from the DCR show that NCW has become a higher

Global Hawk at RAAF Base Edinburgh © Defence Dept.

GENERAL COSGROVE ON NETWORK-CENTRIC WARFARE

The brevity, violence and spectacular speed of the second Iraq War demonstrated that armed conflict in the information age is likely to coexist with older aspects of industrial and even pre-industrial warfare. ...

During the 2003 war with Iraq, Coalition forces employing what were mostly first-generation network-centric technologies and concepts beat Saddam Hussein's military. Using Special Forces and advanced aircraft, the Coalition was able to conduct deep raids, exploiting information gained from human intelligence sources. As a result, in some cases, the operational targeting cycle was compressed from days to hours and then even to minutes. ...

Nonetheless, we need to recognise that we are only in the early stages of networked operations. In many respects, our current command-and-control system might be described as 'Generation One of Network-centric Warfare—the Australian way'...

In Operation *Bastille* (the operation involving the forward deployment of Australian forces) we used a home page as a major tool of information. Then, during actual hostilities, in Operation *Falconer*, the ADF posted a large variety of information material to the website. ...

As Chief of the Defence Force, I spent the first two hours of every day poring over the website, reading the various reports and following up on them by e-mail communication, telephone calls or through face-to-face meetings with colleagues and subordinates...The key point to be grasped is that, in military command in the age of networks, the tactical level can critically affect the strategic level. It is quite possible that occasion, means and opportunity will coalesce and allow a tactical element to achieve a strategic outcome—a situation that was improbable in the annals of warfare up until the arrival of the information age at the end of the 20th century. ...

On balance, the new information age in warfare holds great opportunities for a small force such as the ADF—provided we are prepared to harness our strengths and minimise our weaknesses. The ADF needs to bring a network-centric warfare approach to the forefront of our thinking about future armed conflict simply because networking of weapons and systems promises to make us more effective at warfighting. ...

Our task in the ADF for the rest of the first decade of this new millennium is to race towards the future and create a networked approach to armed conflict. We must move firmly from theory to practice in order to empower our military personnel to succeed in complex operations on the unknown and unexpected battlefields of the information age. ...

Extracts from: Cosgrove, Peter, 2003, 'Racing Towards the Future: Reflections on Iraq, the art of command and network-centric warfare', *Australian Army Journal*, Volume 1, Number 2, pp. 25-33.

While bits and bytes are important, so too are hearts and minds.

priority. After an internal debate that almost saw a key project cancelled, unmanned aerial vehicles (UAVs) have been a clear winner, with the government increasing funding for a high-altitude, long-endurance UAV from $150 million to between $750 million and $1 billion over the coming decade. As the Chief of Defence Force, General Peter Cosgrove, has said, UAVs '... represent a powerful tool for networked militaries', with applications ranging from maritime surveillance to intelligence and reconnaissance, and a critical role in real-time targeting.

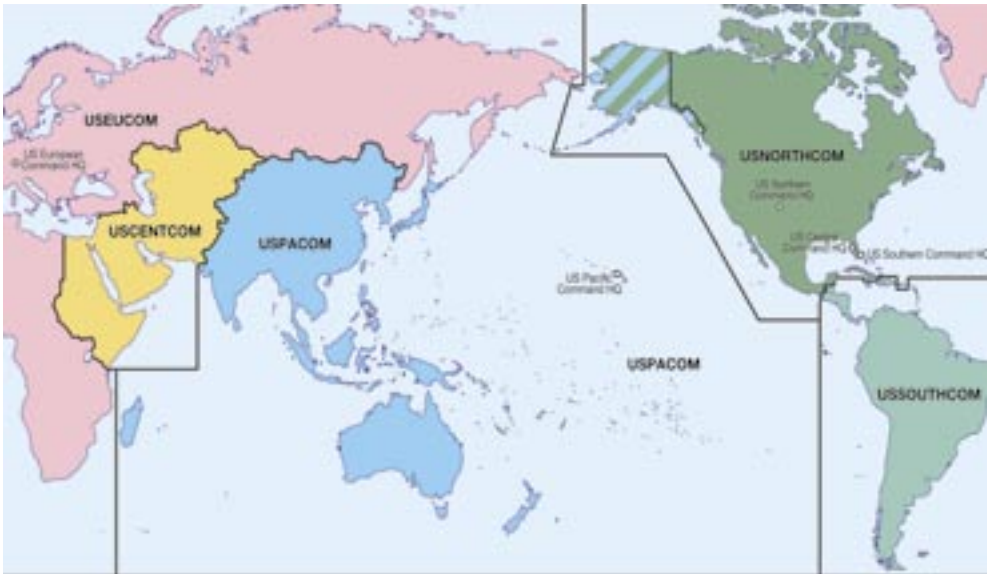
Making NCW a central priority for our force development also creates some difficult trade-offs for Australia. Inevitably, these complex weapons systems come at a high price and often in smaller numbers than we would like. Defence Minister Robert Hill estimates, for example, that two Global Hawk UAVs can perform the surveillance tasks of five P-3 Orion aircraft. But, on occasion, five platforms might be more useful than two UAVs, depending on the task.

We also face the special demands of operating with US forces. The Pentagon will certainly put a high priority on building NCW in its own forces, and America's allies will have little choice but to follow suit. At this early stage of NCW, Australia must make its investment choices carefully, and be mindful of the danger that projects might have a limited shelf life if the US rapidly changes its priorities. Because of the costs involved, we'll have to choose carefully which ADF force elements to make highly compatible with US forces. Our investment needs to complement, rather than complicate, the priority of building NCW capability in the ADF.

Finally, there is a pressing need to rethink ADF doctrine and training in the light of NCW's potential to transform operations. As General Cosgrove's comments indicate, this is new territory for most of the world's advanced military organisations. It's unlikely that current doctrine will be adequate to prepare the ADF to fight on tomorrow's NCW battlefield. Australia needs to put a high priority on rethinking the human dimension of NCW, in particular by reviewing ADF training and the doctrine needed to make the technology 'work' in our strategic interests.

In developing our capacity to wage NCW we need to remember the lessons of the post-conflict stage in Iraq. There will never be any substitute for highly trained ground forces in stabilising and rebuilding territories after conflict. We need soldiers who can develop trusting relationships with civil communities and operate in ambiguous political environments where the distinction between friend and foe is impossible to discern.

The key to developing the ADF of the 21st century will be to balance and meld our investment on high-tech equipment with the troops-on-the-ground capacity to prevail against low-tech asymmetric adversaries. While bits and bytes are important, so too are hearts and minds.



US Unified Military Commands' areas of responsibility

Chapter 4

THE UNITED STATES

American economic and military power will make it the world's strongest state for the foreseeable future. Australia's defence alliance with the US remains vital, and we should look for new ways to strengthen cooperation.

The scale of America's economic and military power relative to the rest of the world is staggering. In 2002, US gross domestic product (GDP) exceeded US$10 trillion—greater than the combined GDP of the next five largest economies, and one-third of global economic output. The US achieved this with around 5% of the world's population. In 2002, the output of metropolitan Chicago was about the size of Australia's GDP, and Boston's was as large as Taiwan's.

In 2002, the US defence budget was US$335.7 billion, fully 43% of global military spending and significantly larger than the combined defence budgets of the next fourteen biggest spenders. Since then, US spending on counter-terrorism has increased dramatically. In comparison, Australia's 2002 defence spending was around US$6.8 billion, only 0.87% of the world's total and roughly the US's *weekly* defence bill.

Clearly, the US is no ordinary power. Its military and economic strength and its remarkable capacity for innovation will underpin Washington's dominance as the world's only 'hyperpower' over the coming generation. One consequence for the US is that it has security interests in every corner of the globe. Speculation about the dangers of US isolationism has become redundant—America's size and scale and the global spread of its interests mean that it must remain engaged. Only the US can give effective leadership to the international community in times of global crisis.

Iraq and America's global influence

The key question is what will be the future shape and nature of America's global engagement? What factors will drive US security

policy over the next few years? Events in Iraq, especially if they go badly for the Coalition, could have major consequences for American policy and domestic politics. The outcomes might range from a more assertive, unilateral security approach, to a reduction of the US military 'footprint' overseas. Many commentators overstate the possibility of each of these outcomes. Iraq is not yet the US's second Vietnam. The statistics really speak for themselves. Over 8.7 million Americans served in Vietnam between 1964 and 1973; at the end of April 2004, there were an estimated 137,000 US troops in Iraq—a large football finals crowd—and another 51,000 serving in the Middle East. In Vietnam the US military had 47,355 battle deaths, 10,796 non-combat deaths, and over 150,000 wounded; in Iraq to mid-April 2004 there have been 548 US deaths and over 2,700 wounded.

These are terrible statistics, and every death is a personal and family tragedy, but the evidence is clear that Iraq is not yet touching the wider American community in the way Vietnam did. The experience of the Iraq War isn't likely to have such deep implications for how the US will behave in future. However, the conflict still has a long way to run. If, in five years time, the US still has a major military presence in Iraq, and if it's still engaged in counter-insurgency fighting, then American domestic sentiment would be very different.

A Democrat administration?

There might be a change of US administration at the end of 2004, but so far opinion polling suggests that the economy rather than Iraq will be the leading issue. A Democrat administration would have little choice but to continue with a strong US effort in Iraq—retrenchment isn't a tenable option for any US administration. Democrat Senator John Kerry has promised to work harder as President to build international and United Nations support for the war effort. And, along with President Bush, Kerry urged new Spanish Prime Minister José Zapatero not to withdraw Spanish troops from the Coalition. Building and maintaining such international and UN support will be a formidable challenge and a key objective, whoever is President.

On national security, a new Democrat presidency is likely to be closer in style to the George W. Bush White House than to, say, the Clinton Administration. This is mainly because of the profound psychological impact in the US of the 9/11 terror attacks. Americans will continue to feel threatened. We can expect to see continued high levels of defence spending, and a very strong priority placed on defeating terrorists, unilaterally if necessary. Most likely, the current stress on counter-proliferation will also continue, reflecting a deep-seated concern about the potential for rogue states or terrorist groups to use weapons of mass destruction (WMD) against the US. Work on ballistic missile defence programs has a large measure of bipartisan support, although the Democrats might take a more cautious approach.

If the Bush Administration is re-elected, we'd expect no fundamental changes in policy, although some senior figures from the first term might retire, including Secretary of State Powell and Defence Secretary Rumsfeld.

Australia and the United States

Australia and the US share a remarkable range of overlapping security interests. Both countries need a stable Asia–Pacific if they are to prosper economically; both need open economies for trade and investment; both are strongly committed to democratic systems; both have century-long records of active global engagement in security issues.

US President George W Bush delivers an address to a joint sitting of the Australian Parliament, October 23, 2003.
AAP/Alan Porritt © 2003 AAP

Our common interests are a strong foundation for our alliance, but they are not identical—Canberra and Washington will often differ on setting priorities. For Australia, stability in the South Pacific and Southeast Asia remain critical to our security. For the US, these areas are of secondary strategic concern. US attention will inevitably focus on the biggest economic and security issues of the day and, more often than not, Australia's strategic preoccupations will only be on the margins of America's deepest concerns.

It follows that we have a vital interest in doing what we can to maximise our national access and influence in key decision-making forums in Washington. It's often claimed that our close alliance relationship gives greater access and influence to US policy-makers than our size warrants. We should test this assumption regularly, and constantly look for new avenues and opportunities to engage with the US.

For example, there would be great value in establishing an Australia–US strategic dialogue on China's emergence as a major power in the Asia–Pacific. China's future security role is centrally important both to Australia and the US, and a regular dialogue bringing together policy makers, country analysts and political decision-makers could help both Washington and Canberra to refine their thinking on China. Such a meeting would provide invaluable insights and opportunities for Australia and help shape directions in Sino–US ties—probably the most important strategic relationship of the coming generation. This would compliment existing dialogues, but provide an added level of specialist focus on a key strategic issue.

...there would be great value in establishing an Australia–US strategic dialogue on China's emergence as a major power in the Asia–Pacific.

Practical defence cooperation

Intelligence sharing remains one of the greatest benefits of the alliance—it's valuable to both countries, but particularly so to Australia. Without the alliance, Australia would be nearly blind in many critical areas of intelligence gathering and assessment. This doesn't remove the necessity for us to make our own assessments of all available data. It comes down to a question not about the alliance but about how adequately we fund our assessment agencies, and in particular how well placed they are to assess strategic issues beyond our immediate region. However, Australia does have particular intelligence strengths in our nearer region, and our assessments of developments in the Asia–Pacific provide a valuable counterpoint to US policy development in these areas. We should look for ways to deepen our exchange with the US on these critically important judgments about Asia-–Pacific security.

Military exercises between the ADF and US forces remain a very important part of the relationship. Part of the success of ADF operations in Afghanistan and Iraq must be attributed to the habits of military cooperation with the US developed over years of exercising together. Combined exercises with the US also make a powerful public statement about the health of the alliance. For the US this is an important expression of its continuing commitment to Asia–Pacific security. For Australia, exercises tangibly show the value both countries put on working with each other.

For these reasons, the proposal to establish a joint US–Australian exercise and training facility in Australia is valuable. Although many of the details of this arrangement are still in early negotiations, it's a positive sign that the US wants to engage Australia in a major expression of America's continued commitment to the alliance and to a strong focus on the region.

The US will continue its work on ballistic missile defence. Australia needs to think through our position on this issue, updating some popular perceptions about missile defence that are still conditioned by the 'Star Wars' debate in the early 1980s. The current US program is much less ambitious than President Reagan's proposal, and it has benefited from twenty more years of investment, research and development.

Strategic circumstances have also changed. The US–Russian relationship has dramatically improved, significantly reducing the danger of the massive nuclear exchanges feared during the Cold War. Indeed, we now see some joint US–Russian work on missile defence. At the same time, the threat of proliferation of WMD has grown, and more nations have access to ballistic missile technology. The focus of missile defence is now on dealing with states with small nuclear arsenals. Rogue states might not be deterred by the threat of nuclear retaliation or they may assume that their nuclear capability will protect them from being attacked and use that security as a platform from which to engage in destabilizing behaviour.

At this stage Australian involvement has been largely confined to general statements of support, but it would be worthwhile to flesh out the detail of practical areas of cooperation. We could, for example, help to develop US thinking on how to address regional interests and concerns about missile defence, particularly in North Asia.

Continued Australian research and development involvement in ballistic missile defence makes sense, but more substantial participation should also allow us to get a better idea of system capabilities and the nature of potential threats. Our own efforts in this area shouldn't disproportionately affect key decisions about the size and shape of our military capability purchases, such as the air warfare destroyers.

Chapter 5

NORTH ASIA

The character of China's power will be the dominating strategic issue in the Asia–Pacific for years to come. Australia's task is to maximise our influence with the North Asian powers in shaping a secure and stable region.

The Chinese economic powerhouse continues to grow, averaging 7–8% over the past two years despite the SARS epidemic. It could continue at that rate for years to come. China's leaders still give the greatest priority to maintaining the stability needed to let the economy flourish. Potential sources of regional instability, such as relations across the Straits of Taiwan, are deliberately underplayed by Beijing. One can contrast Beijing's low-key response to the 2004 Taiwanese presidential elections with the 1996 cross-straits crisis, when aggressive Chinese naval exercises and missile tests ultimately forced the US to sail a carrier battle group into the region to show American resolve. Nothing so worrying happened in 2004, and Washington's firm continuing support for a 'one China' policy shows that both countries are working hard to reduce sources of friction.

China has also played an important and constructive role in hosting the Beijing six-party talks on North Korean nuclear proliferation. During much of the 1990s, China's public position was that there was little it could do to moderate the behaviour of North Korea on missile proliferation or nuclear weapons development. Now China is pushing its old ally harder to negotiate. In early 2003, China shut down its

China has also played an important and constructive role in hosting the Beijing six-party talks on North Korean nuclear proliferation.

Chinese President Hu Jintao delivers a speech to a joint sitting of the Australian Parliament, October 24, 2003.
AAP/Alan Porritt © 2003 AAP

oil supply to North Korea for three days for 'technical reasons'—diplomatic arm-twisting to force the North to the table. We're likely to see the six-party talks continue at a slow pace, but that's better than any possible military option. The danger exists, however, that Pyongyang will use the negotiations to buy time for major weapons development.

The advent of a new generation of leadership in China has led to a new regional diplomatic activism and a more sophisticated approach to old security problems. In Southeast Asia, China has taken the heat out of one potential military flashpoint—disputed territorial claims in the South China Sea—and is instead promoting multilateral security dialogues. Last October, China and the ASEAN states signed a 'Joint Declaration on Strategic Partnership for Peace and Prosperity' in Bali. In the South Pacific, China is a generous aid donor, albeit at the price of forcing the islands to forgo any assistance from Taiwan. In Australia, natural resource supply contracts and President Hu's visit in October 2003 have generated optimism about China's long-term economic value as a customer for raw materials.

It's important to balance positive long-term projections, which often take continued rapid growth for granted. China also faces enormous internal stresses and challenges. Although growth is high, it's very unevenly spread, giving rise to concerns about Beijing's ability to manage its ancient national infrastructure, energy production, health care, environmental

The advent of a new generation of leadership in China has led to... a more sophisticated approach to old security problems.

degradation and coastal overpopulation. As far as the Chinese leadership is concerned, national political reform is off the agenda—hardly a sustainable position, given the rate of economic development.

Internationally and to varying degrees, China's neighbours worry about how Beijing will manage its growing military power and influence. Japan in particular has an uneasy strategic relationship with China. Both countries have concerns—grounded in their historical experience—about each other's latent strategic potential. These are unlikely to be completely overcome by diplomatic activities. 7% annual GDP growth is rapidly modernising the People's Liberation Army, which has an increasing capacity for air and sea denial. China is also modernising its nuclear weapons capability. Public assessments produced by the US Central Intelligence Agency judge that by around 2015 China will have between 'tens and several tens of missiles', based at sea and on land and able to hit the US and its allies. China will also have a very capable arsenal of conventional shorter range ballistic and cruise missiles.

The brighter Japanese economic picture has been matched by the steady development of more outward-looking foreign and security policies

Japan: encouraging developments

Japan's economy is growing at its fastest rate in a decade. In the fourth quarter of 2003, the economy grew at an annualised rate of 7%, and at 2.7% over the year as a whole. It's too soon to say that Japan is emerging from its decade-long growth downturn—more economic reform is still urgently needed—but these are certainly encouraging signs. Domestic consumer spending and business investment are both growing. Moreover, the growth has not come from government pump-priming but from increased overseas demand for Japanese goods, not least from China. Regional economic integration of this sort is good, because it gives the Asia–Pacific countries a stake in each other's prosperity and stability.

The brighter Japanese economic picture has been matched by the steady development of more outward-looking foreign and security policies. Over the past few years, we've seen Japan launch its own surveillance satellites—tellingly, with a north–south orbit to maximise coverage of North Korea. Japan sent a Ground Self-Defence Force engineering group on reconstruction operations in East Timor, and it has participated in the Proliferation Security Initiative working on high-seas interception with Japanese Coast Guard vessels. Most importantly, Japan has sent troops to Iraq, a politically brave and important decision by Prime Minister Koizumi. Tokyo's refusal to be intimidated by the kidnappers of Japanese nationals in Iraq signals a more confident approach to international security. Moreover, there seems to be a growing mood in favour of constitutional reform. These are all very positive developments.

Japan's emergence as a more 'normal' country in regional security is a necessary development for the region. It helps balance the growth of Chinese military power, and provides a firm basis for cooperation with the US.

PRESIDENT BUSH'S SPEECH TO THE AUSTRALIAN PARLIAMENT

Our nations have a special responsibility throughout the Pacific to help keep the peace, to ensure the free movement of people, capital and information, and to advance the ideals of democracy and freedom.

...The nature of the terrorist threat defines the strategy we are using to fight it. These committed killers will not be stopped by negotiations. They will not respond to reason. The terrorists cannot be appeased. They must be found, they must be fought and they must be defeated. The terrorists hide and strike within free societies, so we are draining their funds, disrupting their plans and finding their leaders. ...

Members and senators, with decisive victories behind us we have decisive days ahead. We cannot let up on our offensive against terror even a bit. We must continue to build stability and peace in the Middle East and Asia as the alternatives to hatred and fear. ...

Our nations have a special responsibility throughout the Pacific to help keep the peace, to ensure the free movement of people, capital and information, and to advance the ideals of democracy and freedom. America will continue to maintain a foreign presence in Asia and continue to work closely with Australia. Today America and Australia are working with Japan, the Philippines, Thailand, Indonesia, Singapore, and other nations to expand trade and to fight terror—to keep the peace, including peace in the Taiwan Straits. ...

We are encouraged by China's cooperation in the war on terror. We are working with China to ensure that the Korean Peninsula is free of nuclear weapons. We see a China that is stable and prosperous, a nation that respects the peace of its neighbours and works to secure the freedom of its own people. Security in the Asia–Pacific region will always depend on the willingness of nations to take responsibility for their neighbourhood, as Australia is doing. ...

The relationship between America and Australia is vibrant and vital. Together we will meet the challenges and the perils of our time.

Extract from: Australia, House of Representatives and Senate, Joint Meeting 2004, Debates, no.17, 23rd October 2003, pp.21687-21693

PRESIDENT HU JINTAO'S SPEECH TO THE AUSTRALIAN PARLIAMENT

China and Australia respect each other's sovereignty and territorial integrity and they stick to noninterference in each other's internal affairs and enjoy a growing mutual trust in the security field.

How should countries go about their relations with one another in this complicated and diverse world? It is a question that is very much on the minds of many people. We are of the view that, for smooth conduct of state-to-state relations and for lasting peace and common prosperity, all countries should act in compliance with the following principles. First, politically they should respect each other, seek common ground while putting aside differences and endeavour to expand areas of agreement. ...

Second, economically they should complement and benefit one another, deepen their cooperation and achieve common development. ...

Third, culturally countries should step up exchanges and enhance understanding and mutual emulation. ...

Fourth, in security, countries should strengthen mutual trust, cooperate on an equal footing and endeavour to maintain peace. Peace and development remain the dominant themes of our times. ...

China and Australia respect each other's sovereignty and territorial integrity and they stick to noninterference in each other's internal affairs and enjoy a growing mutual trust in the security field. Recent years have seen increasing exchanges between the two militaries, as evidenced by the annual defence strategic dialogue for six consecutive years and frequent port calls by naval ships of both countries. ...

Ladies and gentlemen, Taiwan is an inalienable part of Chinese territory. ...

A peaceful solution to the Taiwan question serves the interests of all the Chinese people, including our compatriots on Taiwan. It also serves the common interests of all countries in the region, including Australia. ...

The Chinese government and people look to Australia for a constructive role in China's peaceful reunification.

Extract from: Australia, House of Representatives and Senate, Joint Meeting 2004, Debates, no.17, 24th October 2003, pp.21695-21701

Opportunities for Australia

October 2003 saw the near-simultaneous visits to Canberra of US President George W. Bush and Chinese President Hu Jintao. Bush came to thank Australia for our efforts in Iraq while Hu promoted closer trade and economic links. Most significantly, the visits demonstrated that Australia is seen in Washington and Beijing to be a major player in Asia–Pacific security. It's certainly true that Washington listens to Australian views more now than in earlier years, and Beijing is aware of this. In his speech to Parliament, Hu said that China '... look[s] to Australia for a constructive role in China's peaceful reunification'—a reference to Taiwan. Hu may have been suggesting that Australia could play a bigger role because of our ability to influence US thinking on Taiwan.

Although Sino–US relations are good at the moment, there is clear potential for the two powers to become more competitors than collaborators.

There are risks and opportunities for Canberra in managing our relations with the US and China. Although Sino–US relations are good at the moment, there is clear potential for the two powers to become more competitors than collaborators. While Australia might wish to avoid having to choose between the US and China, a conflict over Taiwan would force us into that dilemma. It's sensible for us to do what we can to prevent such an outcome. One avenue for influence will be wider military and strategic dialogue with China. Over 2004 and beyond, we should expect to see Australia trying to build more substantial security ties with the Chinese, and perhaps acting more overtly as a 'friendly counsel' with both Washington and Beijing as they interact on security.

Australia already has a substantial security dialogue with Japan, and over the next few years it would be logical for the agenda to move to more practical forms of security cooperation. Australia signed a memoranda on defence exchanges with Japan in 2003, which will form a framework for practical cooperation into the future. The Japanese 'Peace Constitution' has slowed developments in this area, but it's appropriate now that Canberra and Tokyo consider measured steps to improve our military-to-military ties. This could start very usefully with an exchange of the military lessons learned from our separate experiences of reconstruction in East Timor and Iraq.

More generally, we've seen that Australia's active and engaged diplomatic work in North Asia has the potential both to improve our standing and to promote regional stability. In particular, re-establishing diplomatic relations with North Korea has given Australia an opportunity to voice our concerns about the North's nuclear program and, if only in a small way, to encourage a negotiated outcome.

Chapter 6

SOUTHEAST ASIA

Southeast Asia faces challenging political transitions, and now has growing internal security problems. Australia must build closer security ties with the neighbourhood, particularly on counter-terrorism.

There is no doubting Southeast Asia's significant economic potential. The ten ASEAN countries[1] have a combined population of 560 million and a consumer market worth US$300 billion annually—the equal of China's coastal region. Yet the region has lagged badly in economic growth since the 1997 financial crisis. Average GDP growth between 1996 and 2002 was only 1.8% for the 'ASEAN 5' (Indonesia, Malaysia, Philippines, Singapore and Thailand), compared to China's 7.8%. Since 1997, ASEAN foreign direct investment has shrunk by two-thirds, while China's has boomed. Despite having an ASEAN free trade area since 1994, the region's governments have failed to integrate their markets, and trade within ASEAN has fallen significantly. Economic prosperity is strikingly uneven, from Singapore with a per capita GDP that's 75% of America's 2003 figure, down to Laos with only 0.08%.

This rather gloomy economic picture is complicated by the resurgence of separatism in some Southeast Asian countries and the rise to prominence of terrorist movements founded on Islamic fundamentalism, feeding off anti-government sentiment, and sometimes fuelled by the brutal behaviour of security forces. While some countries, Singapore in particular, have worked hard to develop effective counter-terrorist strategies, others have been reluctant to tackle the problem head on. In Thailand, for example, Prime Minister Thaksin claimed only "crazy people" believed there were terrorists in the country, until a Singaporean tip off led to the arrest of three JI members including Hambali in mid-2003.

1 Brunei, Cambodia, Indonesia, Laos, Malaysia, Burma, Philippines, Singapore, Thailand, Vietnam.

It is difficult to be precise about the nature of the terrorist threat in Southeast Asia. Attacks in January 2004 across Thailand's four Muslim-majority provinces in the south have been variously attributed to JI, al-Qaeda and simply to criminal arms-smugglers. The categories are not mutually exclusive. In the Philippines, the Moro Islamic Liberation Front (MILF) is said to have 12,000 armed members but it is more a loosely-linked collection of armed bands than a coherent organisation. In Indonesia, JI itself draws on support from a constellation of groups that in some cases have histories dating back to the Japanese occupation in World War Two. What emerges is a picture of a far more diffuse terrorist threat, involving autonomous groups with different aspirations but linked to each other for the purposes of training, moving people and weapons and conducting operations. With no clear command structure, this is a much harder enemy to defeat. And it is harder also for regional governments to develop a coherent counter-terror response.

What emerges is a picture of a far more diffuse terrorist threat, involving autonomous groups with different aspirations but linked to each other ... With no clear command structure, this is a much harder enemy to defeat.

In general, ASEAN governments are struggling with a number of related problems, including economic modernisation, weak administration, growing demands for less paternalistic political systems, religious extremism and difficult transitions from long-serving to new political leaders. The next few years will be particularly challenging for the region.

Regional variations

The Philippines has a presidential election scheduled for 10 May 2004. The lead candidate is movie actor Fernando Poe, known as 'Da King', but not known yet for his policy views. Current President Gloria Arroyo is trailing Poe in opinion polls, and this is worrying the business community and foreign investors. Formal peace talks—brokered by Malaysia—are scheduled to start with the MILF. Even if the Front's leaders are prepared to negotiate some sort of autonomy deal for Mindanao, there is no guarantee that their followers will accept that outcome. US military support for the Philippines' counter-terror effort will be essential.

Thailand will continue to face the insurgency in its southern provinces. The government has also come under a significant amount of pressure over its poor handling of responses to the avian flu virus, which has killed sixteen people in Thailand and Vietnam. In February 2004 the stock market lost 4.5% in a day on speculation that the virus might have mutated into allowing human-to-human transmission. Bangkok's management, both of terrorism and the avian flu virus, point to a fragility in the government's capacity to develop and implement strong policies, and also to the potential for the economy to be badly damaged by such events. By contrast, Singapore's economy is gaining momentum. GDP growth in 2001 was only 1.1%. In 2004-05 it is projected to reach 5.3%. The key political event over the next twelve-to-eighteen months will be Prime Minister Goh Chok Tong's expected hand over of power to the current deputy Prime Minister Lee Hsien Loong.

New Malaysian Prime Minister Abdullah Badawi arrives at his office in Putrajaya, October 31, 2003. AP via AAP/Vincent Thian

Singapore will continue its active focus on counter-terrorism and is developing a close and effective strategic relationship with the US. While the defence forces of a number of ASEAN countries have very limited capabilities, the Singapore Armed Force (SAF) are benefiting from continued investment in high-technology equipment. Singapore has introduced four submarines into service, is acquiring a fleet of sophisticated warships and will soon announce a replacement for it's A-4 combat aircraft—a choice between the F-15, Eurofighter or Rafale. In force structure and capabilities the SAF is an increasingly competent partner for the ADF. Both countries share many common strategic interests and concerns about the region.

In force structure and capabilities the SAF is an increasingly competent partner for the ADF. Both countries share many common strategic interests and concerns about the region.

If Indonesia's current prospects look rather poor, Malaysia has taken a positive step forward with recent national and state elections that decisively rebuffed the Pan Malaysia Islamic Party, which campaigned for a strongly conservative Islamic state. The victory of the more moderate National Front Coalition led by Abdullah Badawi has been welcomed internationally as indicating a strong Malaysian preference for progressive moderation. Badawi has consolidated his personal hold on the leadership of the United Malays National Organisation and set out an attractive—and badly needed—policy agenda to counter corruption. Badawi's status as an Islamic scholar lends credibility to Malaysian claims that a moderate form of Islam can be promoted alongside modern economic and political systems.

Indonesia's prospects

Indonesians voted in April for a new People's Consultative Assembly (MPR in Bahasa) and will vote in July for the presidency. At the time of writing, the precise outcome in the MPR elections is not known. President Megawati's Indonesian Democratic Party of Struggle looked to have lost some seats and had secured just under 20% of the vote, very close to the vote for the Golkar Party. Holding the MPR elections was something of a triumph for Indonesia. They were conducted peacefully, with over 140 million votes cast at 595,000 polling booths. Vote counting went smoothly, and there appear to be few suggestions of polling irregularities. These are impressive achievements for such a young democracy, but Indonesians remain disillusioned and cynical about their political leadership. The MPR results give little confidence that a more dynamic or effective political leadership will emerge.

Four issues are likely to dominate in Indonesia for the rest of 2004 and beyond: the quality of government in Jakarta; foreign direct investment; responding to terrorism; and, lastly, separatist movements in some provinces.

On the quality of government, there is concern that President Megawati's administration is returning to some of the less attractive features of the Soeharto days. Corruption is still evident in political and bureaucratic dealings with big business, the military seems to be dominating policy on sensitive areas like Papua and Aceh, and Megawati is less than actively engaged on important policy issues like economic reform. Foreign businesses are leaving Indonesia, partly in response to terrorist attacks but also in reaction to the difficulties of dealing with the Indonesian courts and bureaucracy.

Indonesian elections. A wall painting of Indonesian President Megawati Sukarnoputri, Jakarta, March 10, 2004. AP via AAP/Tatan Syuflana © 2004 The Associated Press

Holding the MPR elections peacefully was something of a triumph for Indonesia.

Moderate Indonesian economic growth is projected in 2004, but this could be disrupted by further terror attacks. Megawati's approach to the terror threat has been partial and inconsistent. On the one hand, after the Bali bombings she had Indonesia co-sponsor a resolution in the United Nations banning JI, and allowed the arrest of the group's so-called 'spiritual leader', Abu Bakar Bashir. On the other hand, while this was seen as a forceful move, it's now likely that Bashir will soon be released from prison and will continue to be a rallying point for fundamentalist groups intent on undermining Indonesia's secular political structure.

Finally, there are the campaigns by the Indonesian Armed Forces (TNI) to destroy the Free Aceh Movement and Free Papua Movement separatist groups. Aceh and Papua saw significant escalations of military operations in 2003, and in both provinces there have been allegations of TNI brutality. The military seems to be driving this policy, and there's a good chance that they'll drive it in the wrong direction, having learned the wrong lessons from their East Timor experience. Military heavy-handedness in Papua and Aceh is likely to strengthen popular opposition to rule from Jakarta. It will also put Indonesia off-side with international opinion, and is already doing so in Washington, where there's concern to limit defence cooperation with Indonesia for as long as the TNI is linked to human rights abuses. Things would be better if Megawati exercised closer control over the TNI's counter-insurgency campaigns, but that is unlikely. If there's a change of president, there's no guarantee that her successor would change policy on this issue.

The military seems to be driving this policy... having learned the wrong lessons from their East Timor experience.

Australia's policy options

Australia has a vital strategic interest in promoting stability in Southeast Asia and in building closer economic and strategic relations. Not surprisingly, a strong emphasis in the past eighteen months has been on building cooperative counter-terrorism arrangements. Australia has concluded memorandums of understanding on counter-terrorism with Indonesia, Malaysia, the Philippines, Thailand and Cambodia. In February 2004, we co-hosted with Indonesia a region-wide ministerial meeting on counter-terrorism, attended by all the ASEAN states.

Cooperation with the Indonesian Police has been particularly successful, and contributed to the rapid arrest and convictions of the JI Bali bombers. Australia and Indonesia have jointly agreed to establish the Indonesian Centre for Law Enforcement Co-operation. Police cooperation has done a great deal to improve Australian–Indonesian relations after the

East Timor crisis. Police links will remain the most fruitful form of security cooperation for some time and should be Australia's first priority, ahead of military-to-military links.

We have little option but to continue building the infrastructure for regional counter-terror cooperation, even though the substance of this work sometimes falls short of the rhetoric. Through many parts of the region, terrorists can move people, money and weapons across national borders unnoticed, and recruit and train new members. National counter-terror responses across the ten ASEAN countries range from effective to poor. Australia's diplomatic and security efforts to build cooperation in this area are valuable, but we'll need to make a continued effort to bolster the region's patchy response. Building closer links between regional police forces has been a valuable Australian initiative, as has the decision to dramatically boost funding for the international role of the Australian Federal Police.

In more traditional areas of security cooperation, Australia has defence cooperation relationships with eight ASEAN countries and supports bilateral security dialogues with Indonesia, Malaysia, the Philippines, Thailand and Cambodia. Our defence relationships with Southeast Asian countries are often closer than the links that they have with one another. Australia (with the UK and New Zealand) also has a continuing security commitment to Singapore and Malaysia through the Five Power Defence Arrangement.

The tide of recent international events has shifted public attention away from Australia's security links in Southeast Asia, but they remain an important part of the fabric of regional cooperation and we need to put a high priority on keeping them in good running order.

Two countries stand out as offering new opportunities for cooperation. The first is Vietnam. Australia is gradually opening contact with Hanoi on security issues. The Vietnamese Defence Minister, Senior General Pham Van Tra, visited Canberra in March 2004. The visit followed the accreditation of defence attachés in 1999, ship visits, and projects on issues like malaria research. Because of its size and location, Vietnam has long-term potential as a major player in Asia–Pacific security. The US Navy has recently made a ship visit to Vietnam and Washington is positioning to develop closer ties. The time is now right for Australia to take this important step. Australia already has a senior level strategic dialogue with Vietnam, now we should seek to build a wider defence cooperation relationship, across a broad range of areas.

A visit to Kuala Lumpur by the Australian Prime Minister might be the right step to put the relationship back on track.

A second opportunity exists with Malaysia. Australia has had very close and warm defence relations with Malaysia, even during periods when political ties were less than fraternal. Dr Mahathir's retirement may have cleared the way for a warming of the relationship at the political level, back to something more in tune with our historically friendly ties. It's time to explore how this important bilateral relationship can be reinvigorated and made closer. The two countries have many common interests to pursue. A visit to Kuala Lumpur by the Australian Prime Minister might be the right step to put the relationship back on track.

Chapter 7

SOUTH PACIFIC

There have been big changes in the South Pacific, from the Australian-led Solomon Islands intervention to the push for increased regional cooperation. The coming task is to build support for deeper regional integration, and to help Papua New Guinea solve its serious problems.

Over the past year, Australia's policy towards the South Pacific has changed dramatically. It's now a policy of more active engagement to promote the stability and prosperity of our near neighbours. The first demonstration of this shift was the Australian-led Regional Assistance Mission to Solomon Islands (RAMSI). In late July 2003, Australian police, military and public servants and their counterparts from the region arrived in Solomon Islands—at the Solomon Islands Government's request—to help restore law and order and rebuild that stricken state. While many challenges still lie ahead, RAMSI has successfully eroded the culture of lawlessness in Solomon Islands, and is now working to rebuild its institutions.

It is in Australia's interests for the states in the South Pacific to be stable and prosperous. As the regional great power, we have a responsibility to help our neighbours towards better and more secure futures.

Our nearest neighbour, Papua New Guinea (PNG), is facing a host of systemic challenges. While PNG is not in as critical a condition as Solomon Islands before the intervention, its continuing governance, law and order, and service delivery problems are affecting the functioning of the state. The delivery of such services as health and education, for example, is in a parlous state. Some parts of the country have not had doctors, health-care workers or medicines for some years, and have few functioning schools. As a result, indicators such as the maternal mortality rate are high.

PNG is also on the brink of an HIV/AIDS crisis, with infection rates poised to take off on an African-scale trajectory. In addition, there are serious law and order problems, particularly in Port Moresby and in the Highlands.

This state of affairs does not stem from a lack of resources or external assistance. The AusAID program to PNG has achieved much, but endemic corruption and inefficiencies mean that state resources are not reaching the people in the provinces. Deep-seated problems with the management of resources and budgeting relate to the even deeper problems of the functioning of parliament and the relationship of government to public servants. The political system in PNG is volatile, with a high turnover of members of parliament at each election. This means that there is a lack of continuity and strategic vision.

PNG is also on the brink of an HIV/AIDS crisis, with infection rates poised to take off on an African-scale trajectory.

There is also a worrisome demographic challenge. This state, of 5.1 million people speaking more than 800 languages, has a 2.6% population growth rate. Around 50% of its population is under nineteen years old. The inability of an almost non-existent job market to absorb hundreds of thousands of young people causes many social problems.

The Australian Government has recognised that PNG's weakness engages our national interests and represents, in particular, a potential security challenge. The Australian and PNG governments have agreed to the Enhanced Cooperation Package, under which we'll deploy around three hundred police and public servants to take in-line positions to help PNG with these challenges. While some advisers have already been sent, jurisdictional issues have delayed the main deployment.

Australia needs to work with PNG to help it address its complex and deep-seated problems. It's in our interests for PNG to succeed as a state, so it's worth helping the country to find solutions. The Enhanced Cooperation Package is a good start—certainly, a move away from advisers to in-line assistance is timely and appropriate—but Australia needs an overarching strategy for our assistance, which requires not only PNG's consent but its active support. Australia also needs to help to build momentum in PNG for the necessary structural reform.

A strategy for Australia's South Pacific policy would need to assess the roles that all elements of government could play. Our ability to provide education and training programs, to provide specialist assistance in running public services, to encourage economic growth and innovation—all these capacities need to be harnessed into a coherent policy package. A broad strategy would also seek to involve Australian churches, business, island communities in Australia, and other non-government organizations, working to achieve some commonly agreed goals to assist the South Pacific region.

It's time to reinvigorate the Australia–PNG relationship at all levels, and to foster people-to-people links between officials, parliamentarians, businesspeople, academics, students and young people. The relationship has slipped in importance over the past few years, and it has become defined primarily by our disbursement of aid. The bond must become deeper

Pacific Island Forum Special Leaders Retreat, Auckland, April 6, 2004. AFP/Dean Treml © 2004 AFP

and broader, and about more than just aid. Active and continuous consultation with PNG is needed.

And then there is the broader question about the future of governance structures in the South Pacific. Australia should, and does, take the lead in asking what the South Pacific will look like in 2050, how it will be configured, and how much it will be integrated. The Australian Government has been right to work through the regional Pacific Islands Forum to promote the concept of 'pooled governance' in the South Pacific. The small size, population and resource base of a number of the small Pacific states calls into question their viability, so it makes sense to increase regional integration in such sectors as economic and financial management, trade, education and security.

There's a real opportunity here, given the considerable support in the region for closer regional integration. However, it's important that we seek consensus and take regional sensitivities into account. Otherwise, we run the risk that concerns about Australian 'heavy handedness' and suspicions about our possible motives will jeopardise the outcome.

...it's important that we seek consensus and take regional sensitivities into account.

A challenging and turbulent strategic outlook: Australia and the wider region from Central Asia to the Pacific Islands.

Chapter 8

STRATEGY

Australia has had a healthy public debate about our strategic and defence priorities. It's time to consolidate this thinking into a set of clear policy directions.

Australia has had a lively debate over the past few years about the main focus of our strategic and defence policies. At its core, the argument is about how narrowly or broadly we should define the roles of our military. Among specialists, the debate has at times been quite acrimonious. For outsiders, it may have seemed like an argument over narrow points of difference. Much of this current round of discussion was sparked by Defence Minister Robert Hill's June 2002 speech, 'Beyond the White Paper', which argued that the rise of terrorism and the spread of Australian security activities—from Afghanistan to the Southern Ocean—meant that:

> It probably never made sense to conceptualise our security interests as a series of diminishing concentric circles around our coastline, but it certainly does not do so now. We are seeing a fundamental change to the notion that our security responsibilities are confined largely to our own region. The ADF is both more likely to be deployed and increasingly likely to be deployed well beyond Australia.

This statement raised obvious questions about what might need to be changed in our defence policy fundamentals to accommodate the new strategic realities. The Defence Department was set the task of reviewing the situation.

In February 2003, the government released *Defence Update*, a statement arguing that, although the defence of Australia remained a core focus of planning, defeating terrorism, combating WMD proliferation and maintaining regional security would be prime defence policy objectives. It claimed that the threat of direct military attack on Australia was lower than at the time of the 2000 Defence

White Paper, but that our geography did not protect us from either terrorism or WMD. This led to the conclusion that there was a '... need for some rebalancing of [ADF] capabilities and priorities to take account of the new strategic environment.'

Participants in the public debate ranged from those who argued that the ADF should be structured mainly as 'expeditionary forces' designed to slot into larger US-led coalitions, to those who preferred a force more narrowly designed for the immediate defence of Australia and its approaches. The government's answer was delivered in a two-page statement about the Defence Capability Review on 7 November.

> The review reaffirmed that the defence of Australia and regional requirements should be the primary drivers of force structure.

The debate served to focus attention on an important but little recognised element of the 2000 Defence White Paper putting significantly greater emphasis on the military's capacity to deploy, sustain and operate forces in Australia's nearer region. The Solomon Islands operation is a model for military planners of likely ADF tasks into the foreseeable future.

Almost all of the 2000 Defence White Paper's equipment plans were reaffirmed, but the DCR also called for the acquisition of some large amphibious transport ships able to carry a battalion of troops and land them by helicopter. The review said that the Army would get a replacement for its ageing Leopard main battle tanks, and the US Abrams was duly selected in February 2004. It was also announced that the venerable F-111 strike bomber would be retired in 2010, about a decade earlier than originally planned. This raises a concern that Australia will lose a very important capability to strike at enemy forces from a great distance, but the government's position is that the combination of other Air Force assets in service in 2010 will effectively close the strike 'gap'.

Speaking at the end of 2003, Prime Minister John Howard said that defence spending in the 2004 Budget 'will only go up; it's inevitable.' The defence budget is under pressure because of rising equipment costs and the cost of continuous operations in East Timor, Iraq and Solomon Islands. Neither of these pressures will reduce in coming years.

PRIME MINISTER HOWARD ON AUSTRALIA'S STRATEGIC PRIORITIES

JOURNALIST:

....How far do you think the four structures of the ADF need to be rebalanced towards long distance expeditionary forces and away from defence of Australia priorities?

PRIME MINISTER:

...my view is that the broad directions laid down in the White Paper and as brought up to date at the end of last year are valid. Clearly, in the future, we need to have a niche capability. But we also [need] to engage in coalition operation, but we also need a strong defence of Australia's capacity. And we also, importantly, need a capacity for Solomon Islands type operations. I think there'll be more of those in the future and we certainly have to make sure that we have a capacity to deal with them. But I also think we should avoid the development of artificial differences of emphasis in the defence area.

Extract from Transcript of the Prime Minister's Press Conference, Canberra, 29 September 2003.

Strategic fundamentals

In some respects, it may seem that Australia's strategy debate of the past few years has largely returned to the policy settings described in the 2000 Defence White Paper, but there have been important changes of emphasis. First, Australia has a stronger focus on the requirement to be able to deploy and sustain forces in our nearer region. Second, we are reminded that the traditional geographic and conceptual boundaries of security have become more porous—decisions taken by a terrorist group in Afghanistan can ultimately lead to the mass killings of Australians in Bali. In a globalising world we face a much broader range of security problems than we used to, and our immediate neighbourhood isn't immune from the impact of these broader developments. Finally, our US alliance has become more, rather than less, important. In the early 1990s, some people speculated that the end of the Cold War would make the US security presence in Asia less crucial. Few would argue that case today.

These changes of emphasis reflect new perspectives on some of Australia's enduring strategic realities. Geography is still important. Our current security focus is on the potentially interconnected issues of international terrorism, WMD and state failure, but the prospect of a regional manifestation of these problems gives rise to our greatest security worries. Terrorism is a global problem, but for us a central concern is its impact on our neighbours, particularly Indonesia. WMD proliferation is a global problem, but for us the most direct concern is with North Korea. State failure is a global problem, but it's much more serious for us if it happens in the South Pacific.

Australia has an abiding interest in the security of our nearer region because that is the area through which a direct attack on our territory would have to be mounted. Although the current possibility of such an attack is extremely remote, we can't afford to ignore the potential for this situation to change. This points to a second enduring strategic reality: while the most likely threats to Australia's security over the next decade may be asymmetric

An Australian Government delegation has paid tribute to the efforts of Defence, police and civilian personnel serving with the Regional Assistance Mission to Solomon Islands (RAMSI). © Defence Dept.

threats such as terrorism, we can't dismiss the possibility that more conventional military threats might arise in the Asia–Pacific. Regional states are still modernising their armed forces, especially their air and maritime capabilities. The more 'traditional' security problems—state-on-state conflict, border and territory disputes, internal insurgencies and interstate suspicion and competition—are still very evident in our region, so we must continue to give priority to developing the military capabilities to respond to conventional threats.

A 2005 Defence White Paper

The pace of strategic change is accelerating, and the need to ensure the adequacy of our defence policies means that the government should prepare a new Defence White Paper for release in 2005. At that time, the 2000 White Paper will be half a decade old, and Australia will have gone through a period of profound and unsettling strategic change. It would be an appropriate moment to consolidate and articulate some of the key strategic developments Australia faces, and also provide a crisp and sharply focused statement of the main elements of our policy response. In particular, we need to develop some new thinking about how to proceed on two key ADF force structure issues:

How do we decide which ADF units should be equipped to play 'niche' roles with US military forces? Costs will prevent us from equipping the whole of the ADF for coalition operations, so we'll have to make some difficult choices. A new White Paper needs to set out some 'niche rules' to guide these decisions. This reflects a departure from previous policy, where our ability to contribute to coalition forces was not a priority in making force-structure decisions. Now the government is prepared to accept that we should optimise at least some elements of the ADF for coalition roles. This will take a very disciplined approach to making equipment decisions and balancing priorities.

What is the right balance in structuring the force for off-shore operations in Australia's nearer region? There are practical limits to our capacity to sustain military operations off shore. The 2000 Defence White Paper set out an ambitious plan '... to structure the Army to ensure that we will be able to sustain a brigade deployed on operations for extended periods, and at the same time maintain at least a battalion group available for deployment elsewhere.' A new White Paper needs to revisit this issue, flesh out the implications for sustaining such a force and define similar goals for the other services. In arriving at these judgments, we need to examine whether structuring our forces in this way fully addresses continuing requirements for the defence of Australian territory. And we need the White Paper to more precisely state the rationale for some force structure decisions. For example, the projected amphibious ships seem to be of a size well beyond what might be needed for Solomon Islands-type operations. A clearer statement of the government's thinking would be helpful here.

Of course, these issues carry with them complex and difficult budget decisions. Government will need to review the adequacy and affordability of defence spending in the light of Australia's strategic challenges. The 2000 Defence White Paper committed the government to an ambitious rate of growth in defence spending of 3% a year over a decade. In 2005, there will be a need to decide defence spending levels beyond 2010.

---

the government should prepare a new Defence White Paper for release in 2005. At that time, the 2000 White Paper will be half a decade old...

Chapter 9

NATIONAL SECURITY

In an age when security problems are horizontal, but government structures are vertical, we need to strengthen our approach to national security policy. Important steps have already been taken. What are the next steps?

A key change in Australian policy-making since the October 2002 Bali bombings has been the emergence of a more coordinated and centrally driven national security policy.

Policy development in Canberra is influenced by the structure of the public service. We have defence policy statements, foreign policy statements and policies on domestic security mostly because we have a Defence Department, a Department of Foreign Affairs and Trade, and an Attorney-General's Department. This creates a potential policy-making difficulty. Our government structures are *vertical*: we have agencies with sharply defined areas of responsibility and few connections between them. However, our most pressing security problems are more *horizontal*: challenges such as terrorism and regional instability cross the responsibilities of many of our agencies.

Until late 2003, the only group responsible for bringing these elements together into a national security framework was the National Security Committee of Cabinet (NSCC), chaired by the Prime Minister, and supported by the Secretaries Committee on National Security.

National Security Committee of Cabinet

The Coalition government reconstituted the NSCC when it took office in 1996. In addition to the Prime Minister, the committee's members are the Defence and Foreign Affairs ministers, the Deputy Prime Minister, the Treasurer and the Attorney-General. It's by far the most important Cabinet subcommittee and makes decisions binding on the whole Cabinet. During significant military events, such as the East Timor crisis in late 1999 and the 2003 Iraq War, the NSCC meets daily

First Cabinet meeting for the year, February 9, 2004. AAP/Alan Porritt © 2004 AAP

as the decision-making centre of government. Indeed, NSCC's daily management of the East Timor crisis spurred the start of a stronger national security approach in 1999. More typically, the committee meets once every two or three weeks to make decisions on every aspect of national security, from military equipment acquisitions to sensitive intelligence and foreign policy issues. Unlike the full Cabinet, the NSCC has evolved a style in which senior officials, such as the secretaries of departments, military chiefs and intelligence agency heads, participate in the discussions.

Over time, the NSCC has become an effective and experienced crisis management team with a deep knowledge of national security policy. The group has learned by experience that to achieve national security objectives different instruments of power must be combined, such as military force, aid and diplomacy, domestic and foreign intelligence, police and other agencies. Countering terrorism, for example, involves both domestic and overseas-focused intelligence gathering, engages many 'outrider' agencies such as customs, immigration and health, and creates complex cross-jurisdictional issues between the national and state governments.

Typically, governments deal with cross-jurisdictional security problems by assembling interdepartmental committees to handle them. The committees don't always work effectively, especially ones that are created at short notice to manage a specific security problem. Whatever the wider lessons to emerge, the interdepartmental committee assembled in 2001 to handle people-smuggling highlighted the challenges involved in bringing many agencies together at short notice to manage a crisis. The committee struggled to develop basic procedures and to work out the type of information it needed and how to collect and disseminate the data. There was uncertainty about levels of seniority and the decision-making autonomy that departments were prepared to give their representatives.

New national security structures

Arguably, the interdepartmental committee approach is not an adequate way to service the NSCC, and there have been a number of developments since 2001 to improve the bureaucracy's contribution. Following the Bali bombings in October 2002, counter-terrorism policy work was centralised in the Department of the Prime Minister and Cabinet (PM&C). A standing National Counter Terrorism Committee has been created, chaired by a PM&C Deputy Secretary. This committee at least has the chance to develop some policies and procedures before it has to manage a terrorism crisis.

On 1 July 2003, PM&C created a new National Security Division, comprising around thirty people drawn mainly from Defence and Foreign Affairs. The Prime Minister has been at pains to stress that his new division will be a coordination mechanism between departments, but it would be unusual for PM&C if the division did not, over time, deliver more policy control to Prime Ministers on critical national security issues. The National Security Division will certainly make it possible for PM&C to oversee policy development in other departments, and to inject a more whole-of-government focus into that work. PM&C has also significantly boosted the role of the Cabinet Secretariat, turning it into a division. The additional resources will strengthen that group's ability to apply much-needed quality control to the written submissions coming before the NSCC.

Other government central agencies, notably the departments of Finance and Administration (DoFA) and Treasury, are increasing their capacities to shape crucial defence and security decisions. Following Malcolm Kinnaird's review of the Defence Materiel Organisation, the government decided to significantly increase DoFA's ability to critically evaluate military equipment proposals. Treasury has likewise increased its ability to make substantive input to NSCC deliberations.

For the agencies traditionally at the centre of national security policy-making—Defence and Foreign Affairs—these developments come as a mixed blessing.

Prospects

What of the future? For the agencies traditionally at the centre of national security policy-making—Defence and Foreign Affairs—these developments come as a mixed blessing. There's no question that security issues now have a much greater prominence in government thinking and in spending priorities. Equally, PM&C and the central agencies of DoFA and Treasury are taking on a much more substantial policy-making role. In future, PM&C is far more likely to set the basic shape of key security policies.

Departments and agencies are likely to review their own structures to see how they can contribute more effectively to national security policy-making. This might include wider opportunities for staff to be seconded to other departments for work experience, and injecting a broader understanding of security into internal policy development work. Achieving that broader perspective—and a style of doing business that's more open to a

A sensible next step would be for the Prime Minister to sponsor the development of a national security policy statement...

variety of inputs from different agencies—implies quite a profound change in the ways departments currently operate. Making the changes will be demanding, and progress will probably be slow.

We're likely to see a consolidation of the trends outlined above that further strengthen the role of the NSCC. The Secretaries Committee on National Security will become more prominent as a central clearing house for whole-of-government policy development. The significance of the committee's role has varied from issue to issue. Dr Peter Shergold, the current Secretary of PM&C, is understood to put a high priority on making the committee a more systematic instrument in support of a broad national security approach.

The role of the Prime Minister in shaping and publicly articulating key elements of a national security policy will continue to grow. A sensible next step would be for the Prime Minister to sponsor the development of a national security policy statement similar in coverage and broad policy intent to the annual National Security Statement issued by the White House. This would certainly be valuable for the potential it offers to clarify and strengthen key lines of policy across all government departments.

One possibility would yield little benefit and should be resisted: the creation of a much larger bureaucratic entity to bring Australia's national security infrastructure together into a 'megadepartment'. Current coordination difficulties between agencies and departments would still occur within a megadepartment, but they would be less visible to outsiders. There would still be a need to coordinate with state agencies, as well as with national public service departments with limited but important national security functions. Managing the activities of such a large organisation would probably be beyond the capacity of any one minister.

There's also the problem of deciding what areas to include in a new, larger organisation. A megadepartment designed, for example, to house all national agencies with counter-terrorist responsibilities would have a different composition from one built to meet the challenges of border security.

Our aim shouldn't be to design bureaucracies to fix specific security problems. Rather, our existing structures must work out how to cooperate and coordinate more effectively to deal with a wide range of security issues. A national security statement would help in this task by defining the problem and setting clear policy priorities.

Chapter 10

CONCLUSION: MANAGING CHANGE

We began this assessment by suggesting that Australia faced its most challenging and turbulent strategic outlook since the mid-1960s. In the 1970s and 1980s Australia and the world faced the potentially horrendous nuclear consequences of the Cold War, but our immediate strategic outlook remained largely benign. Today, we must address multiple security challenges: terrorism, state failure in our immediate region, the proliferation of WMD, the consequences of Middle East instability, and potential regional flashpoints like North Korea and China-Taiwan.

Against this array of difficulties Australia has had some notable successes. The ADF performed very well in Coalition operations in Afghanistan and Iraq, and participating in stabilisation missions in East Timor, Bougainville and Solomon Islands. Our alliance with the US remains strong, our relationship with China is strengthening, and we continue to contribute to regional security through many active bilateral defence relationships.

But we also face considerable risks. For example, Coalition forces might not be able to bring stability to Iraq, or there might be further reverses to regional stability in the South Pacific.

The threat of terror attacks in Australia or against our interests overseas remains a strong possibility, against which we must continue to invest the resources and intellectual effort necessary to stay ahead of our potential attackers.

Australia has increasingly moved towards developing a national security policy approach. This is necessary in an age when our most pressing security threats are horizontal, extending over the vertical or more narrowly defined responsibilities of national and state government agencies.

The next step in this process would be for the Prime Minister to sponsor the development of a national security policy statement to clarify and strengthen key lines of policy across all government departments.

Acronyms and abbreviations

ADF	Australian Defence Force
ASIO	Australian Security Intelligence Organisation
DCR	Defence Capability Review
DoFA	Department of Finance and Administration
GDP	gross domestic product
JI	Jemaah Islamiah
MPR	People's Consultative Assembly of Indonesia
NCW	network-centric warfare
NSCC	National Security Committee of Cabinet
PM&C	Department of the Prime Minister and Cabinet
PNG	Papua New Guinea
RAMSI	Regional Assistance Mission to Solomon Islands
SCONS	Secretaries Committee on National Security
TNI	Indonesian Armed Forces
UAV	unmanned aerial vehicle
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 Government make better-informed decisions.

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

ASPI's Research Program

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.

Strategy: ASPI will publish up to 10 longer studies, including a series of annual publications on key topics, such as the defence budget, regional capabilities and Australian Defence Force capabilities.

Strategic Insights: A series of shorter studies on topical subjects that arise in public debate.

Commissioned Work: ASPI will undertake commissioned research for clients including the Australian Government, 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 12 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.

Chairman
Professor Robert J O'Neill AO

Deputy Chairman
Major General Adrian Clunies-Ross (Retired) AO, MBE

Members
Dr Ashton Calvert AC
The Honourable Jim Carlton AO
Dr Alan Dupont
Mr Stephen Loosley
Mr Paul McClintock
Mr Des Moore
The Honourable Jocelyn Newman
Mr Ric Smith AO
Brigadier Jim Wallace (Retired) AM
Dr J Roland Williams CBE

Director
Hugh White

Director of Programs
Peter Jennings

Operations and Capability Program Director
Aldo Borgu

Budget and Management Program Director
Dr Mark Thomson

Strategy and International Program Director
Dr Elsina Wainwright

Outreach Program Director/ Project Manager
Brendan McRandle

Research and Information Manager
Janice Johnson

Manager of Events and International Relationships
Tas Frilingos

Office Manager
Rachel Wells

Research Officer
Dougal McInnes

Project Officer (Budget and Management)
Raspal Khosa

ASPI
AUSTRALIAN STRATEGIC POLICY INSTITUTE

BECOME A MEMBER

Join Australia's liveliest minds writing today on defence and strategic issues. In 2004 the Australian Strategic Policy Institute (ASPI) will produce up to ten issues of ***Strategy*** and ten shorter ***Strategic Insights*** on issues of critical importance to Australia and the Asia Pacific. ASPI's work is at the cutting edge of new thinking on defence and security. Our paper on the Solomon Islands helped change the Government's South Pacific policy. Our commentary on the Iraq War and domestic budget and defence issues is widely seen as authoritative and insightful by opinion leaders in Australia and the wider world.

> ***'The ASPI report (on the Solomon Islands) is a classic example of a think tank helping to recast official policy.'***
>
> Paul Kelly, The Australian, June 2003

Thoughtful, ground-breaking and often controversial, ASPI leads the public debate on defence and security issues. Become a valued part of the ASPI team today! By joining ASPI you will not only have access to publications, but also receive advance notice of key ASPI seminars and briefings.

Join now and we will post your choice of 3 free publications from our recent publications list.

Future subjects include:

- **Australia—US alliance**
- **Defence Budget in 2004**
- **Stability in Papua New Guinea**
- **Security in North Asia**

JOIN ASPI

Name

Position

Company/Organisation

Address

City **State** **Postcode**

Country

Telephone

Email

SELECT 3 FREE PUBLICATIONS

- ❑ Pay Your Money & Take Your Pick: Defence Spending Choices for Australia
- ❑ Sinews of War: the Defence Budget in 2003 and How We Got There
- ❑ Danger and Opportunity: Australia and the North Korea Crisis
- ❑ Our Failing Neighbour: Australia and the Future of Solomon Islands
- ❑ The Cost of Defence :ASPI Defence Budget Brief 2003-2004
- ❑ Building the Peace: Australia and the Future of Iraq
- ❑ Beyond Bali: ASPI's Strategic Assessment 2002

INDIVIDUAL	❑ 1 year *$199*	❑ 2 years *$378*	❑ 3 years *$537*
STUDENT	❑ 1 year *$150*	❑ 2 years *$285*	❑ 3 years *$405*
INSTITUTION	❑ 1 year *$300*	❑ 2 years *$570*	❑ 3 years *$810*

To subscribe

1) Mail to Level 2, Arts House, 40 Macquarie St, Barton ACT 2600, or
2) Subscribe online www.aspi.org.au
3) Phone (02) 6270 5100 or fax (02) 6273 9566

❑ **Cheque** ❑ **Money Order** ❑ **Visa** ❑ **MasterCard**

Payable to Australian Strategic Policy Institute ABN 77 097 369 045

Name on card

Card no.

Expiry Date **/** **Total Amount $**

Signature

This will be a TAX INVOICE for GST purposes when fully completed and payment is made.