



DEFENCE AND SECURITY POLICY

PRINCIPLES OF DEFENCE AND SECURITY POLICY

The past few decades have seen major changes in the global and regional strategic environment in which Australia exists and must operate.

The 'Cold War' ended with the collapse of the former Soviet Union and its satellites, but in its place we have been confronted with increased strains on stability within the Asia Pacific region.

There have also been profound changes in the nature of military engagement and its implications for other areas of policy, both domestic and external.

The overriding objective of Australian defence policy, and our military forces, must be the preservation of Australia's national sovereignty and the defence of our vital national interests.

The peaceful spread of market capitalism, democratic values and institutions and international co operation can be expected to play a stabilising role in our region.

However, challenges to our national security and/or vital interests can emerge quickly and without warning. The 11 September 2001 and 12 October 2002 terrorist attacks in the US and Bali respectively, accompanied by the recent wars in Iraq and Afghanistan, demonstrate that security and defence are once again important central issues for policy makers. Defence policy must have the capacity to identify and to respond appropriately to such challenges at the earliest opportunity.

ACCI endorses the five strategic objectives identified in the Defence White Paper, *Defence 2000 - Our Future Defence Force*, namely (in descending order of precedence):

- the defence of our national territory from direct military attack;
- to foster the stability, integrity and cohesion of our immediate neighbourhood, most notably Indonesia, Papua New Guinea, East Timor and the island States of the Southwest Pacific;
- to work with others in Southeast Asia to preserve the stability and cooperation which has been achieved over the past few decades;
- to contribute in appropriate ways to maintaining strategic stability in the Asia Pacific and Indian Ocean regions as a whole and to help contribute to building a stronger sense of shared strategic interests; and
- to contribute to the efforts of the international community to uphold global security.

POLICY OBJECTIVES

ACCI's overarching policy objectives in defence are:

- stressing the preservation of Australia's national sovereignty and the defence of our vital national interests;

- emphasising inter-connection between the main elements of Australia's external relations policy framework, namely foreign affairs, trade, immigration and defence;
- highlighting the linkages to domestic policy settings, such as fiscal, industry, innovation, labour market and science and technology policies;
- preserving Australia's reputation in the region, and in the broader world, as a middle power of substance and influence, capable of playing a constructive and stabilising role in defence matters;
- ensuring Australia's defence policy drives the role, structure and operations of the Australian Defence Force (ADF);
- supporting a holistic 'capability of the defence system', rather than an individual Service component, approach to military planning and operations; and
- recognising the vital role played by Australian industry in supporting ADF capability and encourage government to employ appropriate strategies to maximise the involvement of Australian industry in major and minor capital equipment projects.

THE POLICY FRAMEWORK

There is an obvious inter-connection between the main elements of Australia's external relations policy framework, namely foreign affairs, trade, immigration and defence.

The Australian military deployment in East Timor has impacted upon foreign and trade relations with Indonesia, while our earlier military engagement in Vietnam has had long term effects on the management of our immigration programs.

Instability in individual countries can diminish their potential as markets for Australian exports of goods and services, and as sources of tourist-visitors, both directly and indirectly through their flow-on effects to their neighbours.

Localised unrest within some of the island States of the South Pacific have damaged Australia's commercial interests, as well as threatened the safety of Australian nationals living in or visiting those countries.

Defence policy has strong linkages to Australian industry. The continued outsourcing of defence support capability, the future technological requirements of the ADF and the increasing reliance on knowledge industries make vital the development of an efficient and strong national support base with specific linkages to the manufacturing, technology and information industries.

Alliances and Coalitions

A central element of Australia's defence policies and strategies has been, and is likely to remain, our formal military alliance with the United States of America.

However, the Australian Government cannot expect the alliance with the United States to cover all contingencies. A realistic degree of effective own-military capacity, especially against lower order challenges to our national security and/or vital national interests, will be necessary.

At the same time, this does not mean we cannot, or should not, engage in appropriate defence relationships with other nations where we have shared national interests, especially within the Asia-Pacific and the Indian Ocean regions.

Engagements

The nature of Australia's external military engagements has changed substantially over the past quarter-century, shifting

from the traditional model of ‘mass and volume’ warfare, toward non-belligerent interventions and operations.

Australia’s military strategists are being called on to plan for, and have capabilities for sustained operations in, military operations other than war. Prominent examples of such operations including peace-keeping work in Cambodia, Bougainville, the Solomon Islands and East Timor.

Such military operations by Australian defence forces are in our national interest, for their constructive capacity to defuse, contain and resolve tensions, some of which could otherwise develop into destructive armed conflict with regional ramifications.

After direct preservation of Australia’s national sovereignty and territorial integrity, such military operations other than war are likely to be the major call on Australia’s defence capabilities in the foreseeable future.

The ADF will be expected to perform both functions effectively, efficiently and often simultaneously.

The War on Terrorism

The terrorist threat to Australia is a present danger. Tragically, a number of Australians were killed on 11 September 2001 and some 88 Australians were killed in Bali.

The Government has noted that the threat is centred on “Al Qaeda”, a loose global network that shares an extreme, intolerant and militant Islamist ideology.

Dealing with terrorist threats is substantially different to dealing with conventional military threats: the former are the actions of individuals or groups of individuals; the latter are the actions of States. Different strategies and tactics are necessary.

However, like conventional military conflict, action against terrorism by civilised societies must take place within the rule of law. Government must not compromise the democratic and human rights, and the civil liberties, of the great majority to take action against the conduct of a very few, impairment of which are triumphs for terrorism and its practitioners.

Business has been told by the Government to think of the terrorist threat as a long term one – possibly at least ten years or more – and to understand that the threat from terrorist organisations is likely to increase over the next few years.

The Australian Government and state and territory governments are working cooperatively to meet the mutual threats. There is a *National Counter-Terrorism Plan* and a round-the-clock National Threat Assessment Centre has been established.

National Critical Infrastructure

One key area that businesses, particularly large businesses, need to focus on is “critical infrastructure”. Over half (some estimates say as high as 80 per cent) of this infrastructure is in private hands. Often it is in the form of physical assets like power stations. However, the definition also extends to information technology and supply chains such as for food inspection. A lot of work has been done with the aviation sector, other transport sectors, electricity and other energy related industries. More needs to be done and business is participating in the *Critical Infrastructure Advisory Council* and the *Trusted Information Sharing Network* to share information and advice.

Risk Management

Businesses need to review their risk management practices in light of the terrorist threat. They should think about these practices in a strategic sense. Ensuring the protection of physical assets is only part of that task.

Detailed thinking about how to deal with major terrorist strikes, even catastrophic events, should be undertaken. Thought needs to be given to issues like “how will my business cope if my fuel or other energy supplies are diminished or cut off for an extended period?” and “what would be the consequences for my business if a major downturn in sentiment affected my market following a series of terrorist strikes?”

“War gaming” of the type undertaken by professional defence planners could usefully assist commerce and industry to bring into focus the strategic decision making on risk management.

Business Consultation with Government

The Government has created a *Business-Government Advisory Group on National Security* and ACCI is represented on that committee.

Funding

Defence can be expected to continue to make substantial calls on public funds.

Such expenses cover the acquisition and operation of increasingly higher technology capital assets (including information technology) and of more highly trained and skilled military personnel.

The often substantial lead times involved in the acquisition and introduction to service of military hardware, and the training of highly skilled personnel, will require reliable projections of likely needs over a period of more than as much as a decade or more ahead.

Both the levels and composition of defence spending must be prioritised, and determined primarily within the context of defence policy and the Australian Government’s broader fiscal policy framework.

There should be a continuing emphasis on securing efficiencies within the Defence organisation (including both its military and non military) and there should be further endeavours made in contracting out non-core Defence business.

Personnel

The quality of Australia’s military personnel is of central importance to the capabilities of our national security.

This emphasis is underscored by the realisation that defence policy will be required to plan for higher technology, smaller-scale military incidents, in contrast with the ‘mass and volume’ approaches of the past.

The adequacy and efficiency of the ADF will increasingly require greater emphasis upon and commitments to higher levels of relevant education and training in new military technologies for officers, specialists and other key operational personnel.

Service chiefs and defence financial planners will need to ensure service conditions, including salary levels and arrangements, are flexible, and competitive with those of the private sector, especially for more highly skilled personnel.

At the same time, the balance of allocation of serving military personnel should favour active service in combat and directly related activities, ahead of administrative support functions which could reasonably be handled by civilians, including the private sector.

The commitment and employment of Defence Reserves is an important component of the ADF.

While Reservists have an obligation to serve on behalf of Australia when the need arises, and to undertake the necessary training, consideration needs to be given to the balance between their paid employment and their national service

obligations.

The commitment by the Australian Government to provide financial support to employers of Reservists engaged in active military service is welcomed. In particular ACCI supports the Employer Support Payment Scheme.

ACCI supports the work of the Australian Government's Defence Reserves Support Council (DRSC) and actively participates in its forums. In particular ACCI supports the private sector leave guidelines produced under the auspices of the DRSC.

Capital Acquisition

In 2000 the Australian Government began producing a detailed Defence Capability Plan (DCP) setting out plans for military capabilities over a ten year period. The most recent DCP projects a capital equipment replacement program over the next decade of \$50 billion.

Meeting such expenses, even over such a time frame, is likely to place substantial strain on fiscal outlays when and where governments have properly committed themselves to robust fiscal discipline.

In 2000 the Government created the Defence Materiel Organisation (DMO) out of a merger of the Defence Acquisition Organisation, Support Command Australia and the National Support Division, providing a single point of accountability for the acquisition and through-life support of ADF platforms. The 2003 Kinnaird Review proposed significant improvements to the operation of DMO. ACCI particularly supports the recommendations of the Review proposing improved relationships with business. In particular, ACCI supports the Government ensuring that the DMO operates with a corporate business philosophy in its management of projects and in its relationships with the business community.

While not prescribing individual capital acquisitions, or the sequencing thereof, such procurement should be undertaken against the broader strategic background of the need for contingent planning for higher technology and smaller scale military incidents.

While inter-operability with our formal alliance partners, especially the United States, is a laudable objective, this should not be pursued at the expense of our capacity for self-reliant operational capabilities and/or cooperation with our regional friends, especially in responding to smaller scale challenges to our national security or interests.

Taken as a whole, equipment acquisition and induction should be undertaken within a rolling, forward program continually looking at least a decade ahead based on full cost of acquisition and operation (including personnel costs) and consistent with general government procurement policies based on 'value for taxpayers' money'.

ACCI supports the Government's practice of developing Defence Industry Sector Plans for the Naval Shipbuilding and Repair, Electronics Systems and Aerospace sectors. They assist industry in making long-term investments in strategically critical areas.

In addition ACCI emphasizes the need for the Government to recognise the importance in the defence supply chain in Australia of small and medium sized businesses and urge wherever possible that the Defence organisation play special heed to the difficulties that these suppliers can have in dealing with the large Defence bureaucracy.

Australian industrial, and research and development capabilities should be engaged, where appropriate, in the realisation of new military technologies.

The Australian Government should continue efforts to strengthen the partnership between the Defence Science & Technology Organisation (DSTO) and industry.

Stronger Government emphasis on promoting Australian defence firms' input into the global defence supply chains is

also important.

In addition, the Government should:

- maintain a strong commitment to Australian industry involvement which remains the major mechanism through which the Department of Defence develops and sustains strategically important capabilities in Australian industry;
- actively reinforce the need for foreign prime contractors and Original Equipment Manufacturers to utilise Australian industry as strategic partners in major systems/capabilities contracts that they are awarded;
- provide regular updates to SMEs of Defence's Forward Procurement Plans for Minor Capital Equipment (less than \$20 million), supported by regular updates on Defence's Minor Projects website. The Minor Projects are vital to Australian firms. Industry briefings should be undertaken at least annually and supported by regular updates on the Defence web site;
- fund innovations by Australian industry including SMEs, through activities like the Capability Technology Demonstrator Program, that enhance strategic logistic support of ADF capability; and
- help to reduce the onerous nature of Professional Indemnity (PI) Insurance on defence industry by ensuring that:
 - defence procurement officers consider carefully the risk profile of the intended procurement and tailor the insurance requirement accordingly as part of the conditions of tender;
 - there is due recognition that hi-tech development is risky in nature and that to encourage such developments government should not seek to shift this risk from government to business.

Ancillary Functions

Australia's defence forces are increasingly being called upon to undertake non-core functions, many of which would be reasonably regarded as policing in nature. Such work has included dealing with piracy at sea and the smuggling of narcotics and natural persons.

While such work can maintain our military personnel and capital on active-service in our national interest, it can also involve a diversion of attention, effort and priorities from the proper function of the ADF.

Against this background, the first line of protection and intervention in such policing work should be a discrete air and sea coast-watch service, being supported by mainstream military forces as and when needed.

For further information:

Greg Evans
Director, Industry Policy & Innovation
Telephone: (02) 6273 2311
Facsimile: (02) 6273 3286
Email: greg.evans@acci.asn.au