



## Defence budget: increasing risk again

The government once again gave priority to the economy over defence in this year's federal budget. To properly understand what happened, it is necessary to go back to May last year and the release of the long-awaited 2009 Defence White Paper.

Despite facing a dire economic outlook, in the White Paper the Rudd government promised to continue rebuilding and strengthening the ADF — not just retaining the goals of the Howard government, but expanding them significantly in the naval sector. To fund their more ambitious program, the government promised a 21-year long funding commitment; 3 per cent real growth until 2018 and 2.2 per cent to 2030. In addition, a new indexation regime was introduced which provided a one-off boost of around \$10.5bn over the decade.

At the same time, however, Defence was told to find \$20.6bn in savings over the forthcoming decade under the Strategic Reform Program (SRP) which grew out of the 2008 defence budget audit. Apart from the SRP (which is not nearly as onerous as it appears) the White Paper was a favourable outcome given the fears generated by the Global Financial Crisis.

Pity the government didn't mean what it said. Less than two weeks after releasing the White Paper, the 2009 Federal Budget deferred \$8.8bn of promised defence funding from the subsequent six years to unspecified future dates and imposed \$1.5bn of 'absorbed measures' on Defence over the decade. Absorbed measures arise when the government announces a new initiative but tells the agency concerned to find the money from within their existing budget.

Looking back, it is hardly surprising that Defence was forced to tighten its belt last year. The economic outlook back then was for a full blown recession with unemployment peaking at 8.5 per cent and the government in deficit until 2015-16. Fortunately, as it turned out, the economy performed much better than expected in the twelve months that followed; unemployment peaked at 5.5 per cent and is now declining, and a return to surplus is now mooted for 2012-13 — three years earlier than first anticipated.

Nonetheless, despite the substantially improved economic and fiscal prospects, the 2010 Budget held little joy for Defence. Not only was there no suggestion of reinstating a single dollar of the funding deferred last year, but Defence copped still further absorbed measures. Specifically, Defence will have to find \$912m as part of \$1.1bn worth of enhanced force protection measures in Afghanistan. The only good news was that the government managed to find \$1.6bn of new money to help fund ADF deployments to Afghanistan, East Timor and Solomon Islands over the next four years.

### Highlights:

- 2010 Defence budget: the duco has been polished but is the tank full enough for our strategic journey?
- Why was John Faulkner such a good Defence Minister?
- Civil control of the military is reciprocal not one-sided
- Have the Kiwis gone soft on us again?
- But are we any better than them?
- Asylum seekers: debate leads nowhere again and our regional neighbours continue to be let off the hook

The net result is that in 2010-11 defence spending will reach \$26.8bn representing a real increase of 3.6 per cent on last year and equivalent to 1.9 per cent of GDP. However, because of last year's funding deferrals, underlying defence funding (exclusive of the cost of deployments) will fall in real terms over the following two years. After that, defence funding is planned to increase by (an impractical) 29 per cent over five years in order to recover the *3 per cent average real growth* promised in the White Paper.

The cumulative impact of deferrals and absorbed measures is difficult to judge, though much of the burden is clearly being borne by the capital investment program. While this leaves industry in the dark over where the cuts will be imposed, we are not yet at the point where the government's longer-term plans are threatened — though risks are emerging.

In the near term, the risk is that the government will further cut defence funding to try and achieve a timely return to budgetary surpluses. In her first speech as party leader, Prime Minister Gillard recommitted the government to achieving a surplus in 2013 — even though the projected surplus in that year is a razor-thin \$1bn. Given the past vagaries of Treasury projections, there is a 50-50 chance that the situation will be either more or less favourable. If it is less favourable, there is little doubt that Defence will have to find even more savings to achieve a surplus in what will be the last opportunity to demonstrate a surplus prior to the election after next.

The longer-term risk is that the government's appetite — indeed the community's appetite — for the necessary continuing increases in defence investment will wane in the years ahead. Defence is no longer the hot-button political issue it was in the years immediately after the East Timor crisis revealed the extent of sustained under-investment throughout the 1980s and 1990s. Finding support for 5-6 per cent annual real growth in the defence budget later this decade cannot be taken for granted. •

## Faulkner: civil control in the fullest sense

Throughout the ADF there is considerable disappointment at John Faulkner's impending resignation as Minister for Defence, even if the Gillard Government is re-elected. Although minister only since 09 June 2009 his successor will have a very hard act to follow. Many observers of ministerial supervision consider he was shaping up to be the most effective minister in a defence portfolio since John Gorton shook up the Navy as its minister from 1958 to 1963.

As a contemporary warning, the precedent of Gorton's subsequent, short and chequered post-PM term as Minister for Defence in 1971 should give much pause for thought. Especially for those now rushing to suggest Kevin Rudd might best rejoin the Labor frontbench as Minister for Defence.

Any analysis of why Faulkner has succeeded so well when others have failed so badly needs to note the historical basis for both. The amalgamation of the Defence group of departments in 1974 satisfied bureaucratic objectives but greatly weakened the exercise of ministerial oversight. It over-centralised it in one minister and then over-burdened him as the department grew and spread relentlessly. Despite the support provided by a junior minister occasionally, the structure and practice of ministerial supervision faced ever-growing bureaucratic obstacles — as the Morshead Review in 1957 had so ably predicted when recommending at least three ministers in any such amalgamation.

A departmental structure and culture designed by bureaucratic mandarins (both civilian and uniformed) to suit, breed and nurture themselves has continued to frustrate effective ministerial control for decades, while at the same time often successfully disguising this flaw from ministers and their shadows. Ministers have been increasingly snowed under by paperwork and bureaucratic process. Furthermore, proper civil control of the military has been increasingly and wrongly supplanted by civilian bureaucratic control, resulting in a poisonous departmental culture and institutionalised ADF-Public Service tensions (although this has much improved under the last three Secretaries who have all been deliberately chosen from outside the department because they are not so infected).

In facing this situation Faulkner brought several key attributes to the post beyond his widely acknowledged integrity and sense of propriety, and the hardworking ethos and people skills he shared with some recent predecessors. He did not see the post as a stepping stone to higher office because he had already held it (as Labor leader in the Senate). His carefully selected and professional staff are seasoned adults, not young party apparatchiks, careerists or ideologues interested only in the political advancement of themselves or Faulkner.

He has not politicised defence issues in public debate. This rare restraint earned deep respect in the fiercely apolitical culture of a defence force, especially one tasked with fighting controversial wars in what seems at times a sea of public indifference or ignorance. His reluctant acceptance of the job out of a strong sense of duty, following the sudden resignation of his predecessor, resonated particularly well with the institutional culture and professionalism of the ADF. He freely talks meaningfully to all ranks without resorting to slang artifices and pat phrases or seeking photo opportunities. He feels the pain of widows, families and comrades of the fallen at more than public funerals — and demonstrated this accordingly over the long term.

A former junior minister in the portfolio (to Senator Robert Ray in 1993-94) and a long-term and forensic examiner of the department with Ray in the Senate Estimates process, Faulkner read in much quicker than most and stayed on top of a ridiculous workload. This was important in a portfolio that has too often suffered from short-term ministers and the policy paralysis suffered during their too frequent reading-in periods.

Faulkner is a good listener and shrewd questioner, and like the more successful ministers since 1974 does not care whether you wear an ADF uniform or not when offering professional advice. He gets on well with the CDF and Secretary and they greatly like and respect him as a man and a minister. Sad to say such mutual respect has too often been absent in recent decades.

But the biggest fundamental change Faulkner has brought is he had the authority and personality to weld a cohesive and effective ministerial team — and he put thought into a structure to sustain such teamwork in ministerial oversight. Previously, even when Defence has been supervised by senior and junior ministers who are capable, they have often not worked together as a team due to personality, factional or career ambition differences. Over four decades Defence has also had more than its fair share of indifferent junior ministers and parliamentary secretaries — often placed there to gain public profile for electoral purposes in the simplistic prime-ministerial belief that their marginal, or worse, competence would not risk too many votes in the wider electorate. The atmosphere and practice of collective ministerial supervision that Faulkner fostered is a credit to him — and to his junior ministers, Greg Combet and Alan Griffin, and his parliamentary secretary, Mike Kelly.

Somewhat strangely in historical terms, especially in a period when Australia has committed the ADF to wars as part of US-led coalitions, with the exception of Kelly this ministerial team are all ostensibly aligned with Labor's "Left" factions. Even in this

increasingly post-ideological age, this is a development that would simply have stunned politicians and people of all party affiliations until quite recent times.

Soon after John Faulkner became Minister for Defence the ADA discussed with him the fluctuating record of effective ministerial supervision over the Department of Defence. In particular, we noted the many problems caused by the three successive, short-term, "terminal-posting" Ministers during the early Howard Government. Noting that his Senate term was due to finish in mid 2011, we raised the issue that many in the ADF feared that he too might only be Minister for 18 months or so.

In subsequent discussions, including in the last month, the same theme has been re-explored. The ADA's private discussions with anyone, and any assurances given and received on both sides, are necessarily confidential unless all involved agree otherwise. Suffice to say that Minister Faulkner's decision to leave the portfolio has been a surprise on one level and not on another — and that our surprise appears to have been widely shared by his ministerial colleagues and senior figures in Defence.

In the final analysis, perceptions of duty, responsibility and ability to carry on are multi-faceted. All that can be asked of anyone is that they do their best for as long as possible. Moreover, when comparing the role, difficulties and records of Ministers for Defence over the last four decades it is vital to note the additional strains involved since the 1999 East Timor crisis. Being Minister for Defence now is not just the peacetime political management or portfolio supervision job it was in the 1973-1999 period.

Australia's wars over the last decade means being Minister for Defence has involved daily (and nightly) personal responsibilities and worries. These involve life and death decisions and coping with their literally fatal and other drastic aftermaths. There is a constant strain on Ministers (and other ADF and departmental leaders). This is too often overlooked in the general political and media whirl that only concentrates on domestic politics, and which sees party-political factionalism, conspiracies and experiences as explanations for everything.

John Faulkner has been that rare man, one who knew and did his duty, and did it well as the Minister for Defence responsible for an ADF at war. On top of this, as his party's most respected parliamentary elder, and a true believer in Cabinet government, he has had to cope with a disintegrating prime-ministership and a struggling Cabinet government process.

In selecting John Faulkner's replacement as Minister for Defence, whoever is prime-minister needs to think long and hard about the mix of personal and political characteristics required. Ministerial supervision of Defence must not go backwards. ●

## Civil control breakdowns in the US

President Barack Obama's sacking of General Stanley McChrystal from his command of the International Security Assistance Force in Afghanistan has naturally engendered much comment internationally. There can be no doubt, however, that it was essential under the principle of *civil control of the military* in a liberal democracy. But was McChrystal's conduct the only aspect of a civil control breakdown involved?

The principle of *civil control of the military* should not be confused — as it frequently has been in Australia when reporting the McChrystal sacking (and at other times) — with specious deployment of the incorrect term *civilian control of the military*. This latter usage has often been offered corruptly and unprofessionally in Australia by civilian bureaucrats, and their academic groupies, to try and justify improper interference in military professional responsibilities, in the command of the ADF by its uniformed commanders and in the constitutional and ministerial control of those commanders and their troops by Ministers of the Crown.

But civil control of the military, both in Australia and in other democracies such as the United States, involves more than the mere obedience of the military to lawful civil authority. It also necessarily involves reciprocal responsibilities by that civil authority including, for example:

- the application of military force must only be authorised and undertaken legally as per both national and international law;
- military lives must never be risked unnecessarily (including for politically-partisan or bureaucratic policy purposes);
- the military must be adequately resourced and supported in its execution of the strategic goals and operational tasks set and required by the civil authority;
- those requiring the military to risk their lives, or risk serious wounds and injury, incur a long-term reciprocal responsibility to look after the families of the dead and those military personnel suffering wounds or injuries; and
- those authorising military force should be prepared to face a degree of personal hardship in their own individual public service that appropriately reflects the risks, sense of duty and constitutional obedience they require of their military forces.

President Barack Obama has agonised at best, and often appeared to dither, over the strategy to be pursued in Afghanistan. He has tolerated serious intellectual indiscipline among his senior national security advisers. Public statements by his Vice-President and various senior officials have contradicted each other as to whether planning timelines are or should be deadlines for withdrawal — seemingly for partisan political purposes. There are serious doubts about the sufficiency of the resources and troop levels allocated compared with the goals set. There seems to be little or no recognition that wars are ultimately contests of will, and that irresponsible or partisan talk of quitting Afghanistan lowers morale and endangers the troops by encouraging the enemy. In short, General Stanley McChrystal does not appear to be the only one at fault in the US for disregarding the principle of *civil control of the military*. •

## Once were warriors

**R**eaction in Australia to New Zealand declining to join Australia's training and mentoring of the Afghan Army and national police in Oruzgan Province — due to an apparent concern about increased risks and casualties — has tended to ignore the complex background involved. Before too much emotional and intellectual energy is expended on another round of justified, and unjustified, Australian complaints about Kiwi strategic bludging two facts need to be emphasised.

First, and most importantly regarding our respective military efforts in Afghanistan, apparent New Zealand reluctance to shoulder more of the dangerous parts of the operational burden is merely doing to Australia what Australia, and others, have long done to our much over-burdened ally the United States.

Second, the NZDF and the ADF have not formed their traditionally combined, unit-level, contributions to overseas operations since the Force Communications Unit serving UNTAC in Cambodia in 1991-93. The NZDF deliberately and with some difficulty sustained a lengthy effort to contribute an independent infantry battalion group to INTERFET and UNTAET in East Timor in 1999-2002. Similarly, New Zealand has deliberately chosen a different (and largely safer) province of Afghanistan for their reconstruction commitment to ISAF since 2003 (and with their SASG element operating more broadly).

Even within just the military and strategic sphere a combination of factors drives this policy. Key ones predate disagreement over joining the 2003 US-led intervention in Iraq. They are likely to continue influencing the Australia-New Zealand strategic relationship unless deep thought in both countries is given to addressing them. They include, for example:

- The two armies in particular have increasingly grown apart culturally, and to some extent institutionally, since New Zealand progressively downsized the numbers of officer cadets it sends to ADFA and Duntroon from the late 1970s onwards (largely because of the expense involved). There is now just one New Zealand cadet at ADFA and he is very busy on and around Anzac Day keeping the “NZ” bit alive in Australian community commemorations.
- New Zealand feels that its sub-unit contributions with Australia to UN peacekeeping operations from the 1970s to the early 1990s were too submerged in Australian units, and did not win New Zealand the international profile it sought and believed it deserved.
- Many, probably most, New Zealand officers and soldiers seem to consider that the Australian Army now has too aggressive an operational culture (in quite a similar fashion to common but not always balanced ADF beliefs about the US Army).
- In a war where Special Forces elements constitute a disproportionate contribution by both countries, our SF community tries to avoid operating closely with its New Zealand counterparts. Despite better co-operation in East Timor in 1999 and occasionally elsewhere, this divide largely stems from logistic and operational difficulties encountered in a 1998 combined-squadron contingency deployment to Kuwait (in support of UNSCOM operations in Iraq). In short, the reluctance to join the ADF in Oruzgan is much more complicated than the Kiwis supposedly going soft. •

## What becomes of the broken hearted?

**W**ith a deep common heritage, Australia and New Zealand continue to share more similarities than differences as societies. New Zealand government agencies are also full members of many Australian federal-state standardisation and co-operation agreements. But most Australians do not think much about New Zealand on a daily basis, and because we are so similar, we too often forget that New Zealand is a foreign country.

Prime-Minister Key's reported comments about casualty risks mean both countries need to weigh the wider risks of us becoming too foreign to and with each other. Until these remarks most of the strategic cognoscenti in Australia thought, or perhaps wanted to believe, that rejection of the concept of Australia and New Zealand as a single strategic entity (or otherwise an unwillingness to share operational risks) was confined to the left of the NZ political spectrum (itself markedly to the left of the Australian spectrum on many issues). Many also just assumed that NZ policy would eventually evolve and correct itself over time, especially after a change to a National-led government.

But isolationism in New Zealand is not just a political phenomenon. It is a deep-seated one culturally and socially, and thrives because it can geo-strategically. Many Kiwis simply ignore or refuse to acknowledge that New Zealand isolationism, often dressed up as “setting an example to the world” or differentiating NZ from Australia, is only possible, at least in part, because of the permanent strategic shield Australia provides almost invisibly — and at effectively no cost — to New Zealand society.

On both sides of New Zealand's predominantly bicultural society most Kiwis see their country as a South Pacific one, and one fortuitously far away from the world's cares and travails. In multicultural Australia, quite a way away to New Zealand's north-west, there is generally now much greater acceptance of the proposition that we are an Asia-Pacific country. There is also common acceptance that our wealth, high standard-of-living and freedom of action are dependent on international trade and stability — and that we therefore have moral and strategic

responsibilities in at least our region. These differing popular views between Australia and New Zealand greatly affect the atmosphere of strategic conceptualisation, even if they do not actually change the strategic realities underlying the separate national perceptions and strategic visions.

As well as New Zealand investment per capita in defence being about half Australian levels, we continue to see another manifestation of this divide in respective reactions to the regional asylum seeker dilemma. Per head of population, New Zealand accepts under one third of the numbers of refugees Australia does. Many, probably most, Kiwis see extra-regional asylum seeker flows as Australia's problem alone and not a responsibility of all regional signatories to the 1951 Refugee Convention and its 1967 Protocol.

Much greater effort by political and intellectual leaders in both countries is needed to re-stimulate realistic appreciations of our shared strategic realities and responsibilities. But it will be a hard slog. Isolationism is so deeply entrenched culturally that many Kiwis across their political divide are simply in denial that it exists or is harmful morally, intellectually and strategically. ●

### Fix the causes not chase the symptoms

Renewed public debate on refugee policy has again largely revolved around the symptoms of Australia's dilemma rather than examine and cure its actual strategic, legal and moral causes. Irrelevant discussion, for example, about what is and is not a repeat of the co-called "Pacific Solution" ignores that asylum seeker flows are a regional problem, not Australia's dilemma alone. There needs to be a genuine Asia-Pacific solution.

Moreover, our refugee policy and our associated expectations of other countries are but two of many aspects in our overall strategic relationship with our regional neighbours. Refugee matters must not be allowed to become a defining or persistent problem in such complex strategic relationships. We must avoid the potential for regional neighbours to pressure us strategically through threatening or facilitating extra-regional refugee flows into Australia or not.

Most refugee debate participants ignore Australia's strategic and moral setting. Of the 35 or so countries between the Aegean and Arafura Seas there are only seven signatories to the 1951 Refugee Convention (and Turkey rejected its extension outside Europe in the 1967 Protocol). With the partial exception of Israel, the other five (Yemen, Iran, Afghanistan, East Timor and Cambodia) are effectively pseudo-signatories with records of causing refugee flows rather than providing sanctuary.

Few other countries in the Asia-Pacific are signatories. Of our closer neighbours, only New Zealand and to an extent PNG take their responsibilities seriously in action. The brutal fact is that Australia's geographic setting, and our first-world status, place us permanently in our region's frontline for asylum claims from West Asia, South Asia and the Middle East in particular.

Australia is also, of course, a much nicer place to live than most other countries, particularly in our near and wider region. Otherwise asylum seekers would readily seek sanctuary with other nearby Convention signatories such as East Timor and PNG. Australia also remains one of the only four first-world countries with a mass immigration program. — and we have a long and impressive history of *permanently resettling* immigrants and refugees in large per capita and absolute numbers.

All these "pull factors" markedly affect the culture, politics and emotion of our public debate, often detrimentally or irrelevantly. This especially concerns the mistaken or wilfully evasive assumption by many that offering asylum must always involve granting *permanent* residence and then citizenship, rather than just providing sanctuary for as long as it might be needed or applicable.

Permanent resettlement is not and never has been the intention of the Refugee Convention and indeed undermines its international acceptance by deterring most countries from ever becoming signatories. It also tends to encourage scepticism domestically about various groups of asylum claimants. This is why our previous system of Temporary Protection Visas, while it had some negative (and preventable) outcomes due to flawed implementation, was very much in accord with the principles, intentions and moral integrity of the Refugee Convention.

But the most important factor complicating Australia's strategic position and moral dilemma is the real "push" one — that most countries, especially in our near and wider regions, have not acceded to the Convention because our doing so lets them off the hook. The incidence of war or civil strife is not a "push factor" per se but a symptom of the Convention not being truly universal, especially over much of the world where the wars that ceaselessly cause refugees occur without being stopped.

Even more importantly, a core intention of the Refugee Convention (as with Chapter VIII of the UN Charter), is to encourage permanent solutions to conflicts on a regional basis. Neighbouring countries are meant to solve the causes of refugee crises in the first place so refugees can quickly, safely and easily return to their homes to rebuild broken societies and polities (rather than having their best nation-rebuilders bled off to staff first-world hospitals, etc). The rejection of the Convention by so many countries has meant constant wars, much never-ending destruction of civil society in afflicted countries more widely, the misery of permanent refugee camps across much of the world, and the endemic strategic instability, misery and moral hypocrisy of near-permanent, extra-regional, refugee flows.

Australian public debate on refugee policy largely ignores our geo-strategic setting and the noble intention of the Refugee Convention. Consequently argument often only involves either beating or puffing ourselves up morally and emotionally over our national willingness, or not, to accept refugees (either some or all). Alternatively, public debate descends into the advocacy of simplistic and draconian pseudo-solutions, such as trying to deter or punish every refugee or unauthorised immigrant who might come here, or alternatively accepting everyone and anyone on an unlimited basis. Both types of behaviour are arguing about symptoms rather than curing the causes.

Over the medium to long term there will be no effective solution, and increasing strategic risks, for Australia until more countries sign the Convention. India, Singapore and Indonesia, for example, would be a good start both morally and strategically. No opportunity should be lost in pointing out this apparent hypocrisy, and strategic and moral buck-passing, to any Indian, Singaporean or Indonesian you meet. Start next on any Australian or diplomatic apologists advancing red herrings about it somehow being all too hard for these countries. Or those falsely claiming that declared universal responsibilities in refugee matters only apply to Australia and other first-world countries in practice, despite a good take-up of the Convention in South America, the Caribbean and much of Africa and Central Asia.

Our enduring problem strategically is that while current numbers of genuine refugees entering Australia appear manageable, this manageability and the potential instability of our domestic unity are inversely proportional to future numbers, any lessening time period involved, and to any degree of foreign strategic pressure on this and wider grounds. Moreover, public concern about "boat people" is grounded in apprehensions about potentially large, not currently low, numbers so merely emphasising the latter does not assuage the concern.

We need a consistent and strategically viable refugee policy, rather than one that depends almost entirely on the current low numbers for its legitimacy, effectiveness, popular support, international acceptability or purported long-term viability. ●