

Snap Shots

This much larger than usual omnibus issue of *Defender* (to help catch up for delays in publication) addresses topics across the spectrum of strategic policy, capability development and operations. Dr Paul Monk's essay addresses the intellectual big picture of how we should conceptually frame our most basic thinking about strategic policy-making. While a longer article than those the journal normally runs, the truly fundamental importance of his topic and the logic of his approach makes this a very interesting and enlightening read. Dr Monk also joins the editorial board of *Defender* from the next issue. After his many thought-provoking articles and book reviews in recent years we feel confident our diverse readership will welcome him aboard.

Another Canadian contributor, Dr James Boutillier, analyses why we are in the midst of the most dynamic maritime era in living memory and how strategic concerns about the security of sea-lanes-of-communication (SLOCs) are only one aspect of this globalised dynamism. The review essay by Andrew Shearer discusses many of the same points.

Ric Smith discusses the seeming paradox that 'east of Mumbai the guns are silent' but no-one is reducing defence spending. In terms of inter-State conflict Asia has been peaceful for a generation, and certainly the most peaceful it has been in a century, yet most countries continue to see a need to increase their defence capabilities. He also examines the changing roles of armed forces across the region and, from the practical rather than the conceptual angle, touches on several of the same themes and issues also described by Paul Monk.

In *the Sharp End*, recently retired Major General Jim Molan contributes a punchy refutation of commonly expressed myths and legends about Afghanistan, its history and the current international assistance effort there. If his words could be reported and understood on all the blog sites purporting to discuss such matters public debate would be much better informed.

With nearly double the number of book reviews, and five of them review essays, this issue covers a far wider range of recent publishing than we are usually able to do, and includes historical, military professional, defence capability, foreign and strategic policy, and international ethics issues.

In closing, we advise that the next issue of *Defender* will be the last for our longtime editor, Dr Malcolm Kennedy. After some 25 years of editing the journal from its birth, and after recovering from a serious illness, Malcolm is understandably retiring from the day-to-day fray to concentrate on his family and his health. The next issue of *Defender* will feature his farewell essay looking back on an often tumultuous quarter century of debate about Australian defence and strategic policy. ♦

Nightmares long remembered

By far the two worst modern failures by Australian governments to meet their defence responsibilities were the Hawke Government's 1991 Force Structure Review (FSR) and the Howard Government's 1997 Defence Efficiency Review (DER). Many of today's depleted capabilities, inefficiencies and systemic problems resulted from their narrow terms of reference (in pursuit of pre-conceived outcomes), ideological motivations and the ill-conceived and largely bogus 'reform' programs that followed each 'review'.

As the editorial in this issue of *Defender* notes, as well as continuing the rebuilding of the ADF after decades of comparative neglect (by both Labor and Coalition governments) throughout the 1970s, 1980s and 1990s, the Rudd Government has to overcome some quite deep-seated community and corporate memories about the failures of the Labor governments concerned. The ill-thought through and politically opportunist FSR, for example, slashed the size of the ADF by some 30 per cent and foolishly abolished several of the capabilities we subsequently most needed in East Timor in 1999 and afterwards. The FSR has cast an especially long and baleful shadow. Even today, nearly two decades later, its effects still limit ADF capabilities and the consequent choices available to government about our national strategic options and our ability to mount and sustain operational commitments.

The Rudd Government therefore needs to emulate Caesar's wife in being above suspicion about both its commitment to its defence responsibilities generally and its commitment to its 2007 election promises in particular. As preparations for the 2009/10 budget ramp up, it is important that the Government not try to repeat the blatant pea and thimble tricks it has apparently stooped to perpetrate in its first budget after winning office. ♦

Staring down yet another slippery slope

In March 2008, long before the global financial crisis rendered budget surpluses untenable, the fight was apparently on in earnest within the new Rudd Government to rein in expenditure across the board. The defence budget is the fifth largest federal outlay. As the only wholly federal function among the major categories of national investment, however, the Defence allocation is disproportionately visible politically – and commonly regarded both politically and bureaucratically as a great consumer of money and a rather unproductive one economically at that. It was firmly in the sights of the Expenditure Review Committee (ERC) as it

chopped spending as and when it could. Bureaucrats in every department can tell you just how ruthless and arbitrary the cuts were, even in areas of social policy dear to the hearts of those left of centre politically.

When it came to cutting defence investment though there were a couple of obvious and significant problems.

- First, up until 2000 Defence had generally been the victim of continual cuts and constraints for decades not, as for most portfolios, the odd year here and there. The increases introduced since 2000 were catch-up investment to redress all these prolonged cuts and limited allocations.
- Second, Labor had spent most of 2007 promising the exact opposite to cuts. There would, they stated, be absolutely no cut to the Defence budget if Labor was elected, not least because the existing levels of investment were fully justified.
- Third, during the election campaign Labor went even further and promised to honour the existing government commitment to three per cent real growth per annum in defence spending until 2014/15 (subsequently extended to 2015/16 in Labor's 2008 budget announcements).

Making matters worse for those seeking to trim the government's bottom line was the index used to determine just what is 'real' in terms of defence budget growth. The Non-Farm Deflator (NFD) had been put forward by Defence's arch enemy, the Department of Finance, many years before as the index used to peg defence budget increases.

At that time the NFD was an unremarkable index that limited the flow of extra taxpayers' dollars to what the central agencies regard, generally unfairly, as those profligate and often indiscriminate spenders of public money at the Department of Defence.

However, booming demand from China and others for Australian minerals had eventually turned the NFD into a generous index, one that would deliver many hundreds of millions of dollars more each year to Defence. The best estimate available to those outside the bureaucracy is that around \$A1.3 billion extra should have made it onto Defence's headline budget figure for the 2008/09 financial year.

But it did not, and the path that money took creates a dangerous precedent for the basis of Defence's operational funding. It calls into serious question the validity of the Rudd Government's commitment to sustained and sufficient investment in our common defence.

Because wars are inherently dynamic and relatively unpredictable, operations undertaken by the defence force are generally done on the basis of 'no-win no-loss' to the Defence budget. This means that government decisions on deploying troops, and the nature of their tasking and operations, are primarily taken on the basis of tactical or strategic necessity rather than cost. Few argue against this method. If a battalion is needed to complete a task effectively it hardly makes sense to have the bean counters whittle it back to a company to save money.

However, it is apparent that the billion-dollar plus NFD 'windfall' is not being paid to Defence in the usual way in 2008/09. Instead of being fed into Defence's overall budget it will be used instead to pay for ongoing operations in Iraq, Afghanistan, Timor and the Solomons. Let it be crystal clear, this is money that should have been available to plug gaps in the Defence Capability Plan, upgrade the badly neglected defence bases around Australia, or a myriad of other urgent needs such as a personnel system that actually works.

The facts of this budgetary legerdemain can be found in the detail of Defence's *Portfolio Budget Statements 2008/09* (*Budget Related Paper No. 1.4A & 1.4C*). Table 1.2.4 on page 17 of the 2008/09 PBS, entitled *Defence 2008-09 Budget measures*, clearly details the funding from the government for operations in Iraq, Afghanistan, Timor and the Solomons as zero – just little dashes on the page where the figures denoting real dollars should be.

This billion-dollar fudge was even noted in the fine print on one of the many budget day media releases from the Minister for Defence. Look at the bottom of an imaginatively titled release, *Defence 2008-09 Budget*, dated 13 May 2008 and you will see 'Note 3: Funding for overseas operations in 2008-09 will come from internal resources and funding'. That is over a billion dollars of internal resources and precious little funding.

What precedent does this budgetary pea and thimble trick set for the no-win no-loss operational funding arrangements for Defence? Will concerns over the global financial crisis be used to justify yet more cuts to Defence investment in the 2009/10 budget? What of the now increasingly fragile commitment to the needed three per cent real growth in Defence investment?

There should not be a trade-off between building the defence force the country will need in the future and funding the operations of the ADF that operates on our behalf now. The Rudd Government seems to be forgetting that they promised to do both and agreed that both were needed. ♦

Afghanistan – holding the line

Both sides of politics continue to support our commitment to the UN-endorsed, NATO-led, International Assistance Force (ISAF) in Afghanistan. At the same time, public opinion in Australia continues to drift away from support for the commitment.

To its credit the Rudd Government has consistently maintained a defensible and logical line, domestically and internationally, and publicly and in private. They stress that our commitment will continue, for as long as it takes, to secure Afghanistan's future and prevent that benighted country from again becoming a sanctuary from which Islamist terrorists can mount their attacks across the world.

General Jim Molan's *sharp end* article on pages 30-31 refutes many of the claims commonly put forward by those opposing our involvement. As in all complex counter-insurgency wars we may be in Afghanistan for a very long