Australian Government

Department of Defence

Australia's National Security

A Defence Update 2005

Report Documentation Page

Form Approved
OMB No. 0704-0188

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE	2. REPORT TYPE	3. DATES COVERED
2005		**00-00-2005 to 00-00-2005**

4. TITLE AND SUBTITLE	5a. CONTRACT NUMBER
Australia's National Security A Defence Update 2005	5b. GRANT NUMBER
	5c. PROGRAM ELEMENT NUMBER
6. AUTHOR(S)	5d. PROJECT NUMBER
	5e. TASK NUMBER
	5f. WORK UNIT NUMBER
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) **Australian Government,Department of Defence,Australia,**	8. PERFORMING ORGANIZATION REPORT NUMBER
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)	10. SPONSOR/MONITOR'S ACRONYM(S)
	11. SPONSOR/MONITOR'S REPORT NUMBER(S)

12. DISTRIBUTION/AVAILABILITY STATEMENT
Approved for public release; distribution unlimited

13. SUPPLEMENTARY NOTES

14. ABSTRACT

15. SUBJECT TERMS

16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT **unclassified**	b. ABSTRACT **unclassified**	c. THIS PAGE **unclassified**	**Same as Report (SAR)**	**32**	

© Commonwealth of Australia 2005
ISBN 0642296340

Table of Contents

Foreword V

Introduction 1

The Strategic Environment 3
- The Impact of Globalisation 3
- The Growth of Regional Military Capabilities 5
- The United States 6
- North and East Asia 6
- South East Asia 7
- South Asia 8
- The Middle East 8
- The South West Pacific 9

Whole of Government Responses 10

Defence Policy 12
- Introduction 12
- Key Relationships 13
- The United States 13
- South East Asia 14
- North and South Asia 16
- New Zealand and the South West Pacific 16
- The Middle East 17

Capability And Resources 19
- Army 21
- Navy 23
- Air Force 23
- A Joint ADF 24
- People 24
- Resources 25
- Departmental and Industry Support 25

Conclusion 26

Foreword

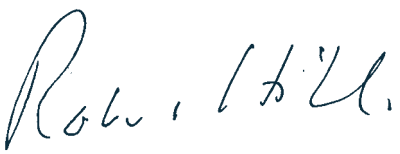
This is the second Defence Update undertaken by the Government since the release of the *2000 Defence White Paper*. This statement demonstrates that the Government's management of strategic policy remains sound and well-grounded. It describes the key features of Australia's contemporary strategic environment and outlines the Department of Defence's contribution to Australia's whole-of-government national security policy. It provides the context in which the Government will continue to develop and direct Australia's military capability into the future.

The review reflects the challenge of maintaining and developing capability at a time when the Defence Organisation is heavily committed to operations around the world. No other national institution is required to be able to do so wide a range of tasks or to respond and deploy at such short notice.

Australian forces are serving in countries as diverse as Afghanistan, Iraq, Sudan, Pakistan and the Solomon Islands. Our troops are committed to counter-terrorism, counter-insurgency, peacekeeping and humanitarian operations. Our intelligence organisations are making a significant contribution to the global war on terrorism and to combating the proliferation of weapons of mass destruction. And our international engagement with other defence forces promotes security and understanding throughout the world.

Providing the capability to defend Australia and Australian interests is the first responsibility of government. The Government continues to make the substantial investment necessary in equipment and personnel to ensure that we can provide leadership in our region, contribute to coalitions further afield and more broadly defend Australia and Australia's interests.

This update was completed in a year in which a number of young Australians died on operations — training for combat and providing humanitarian assistance in the aftermath of the tsunami. It is a sobering reminder that the principles spelt out in this statement are not just theory but have real consequences. The Australian Defence Force is a great national asset and we should all be proud and appreciative of the professionalism, courage and commitment of the men and women of our armed forces. Their service is the cornerstone of our national security.



Senator the Hon Robert Hill
Minister for Defence

Introduction

The first duty of the Australian Government is to provide for the security and defence of Australia and Australian interests. Government must ensure that we have defence capabilities to respond to a range of contingencies as well as a robust capacity to deal with military threats of a conventional kind should they arise. The Government must also ensure that it has defence capabilities that give credible options for the pursuit of international security policies necessary to support Australia's interests.

Anticipating and meeting challenges to Australia's security remains a demanding task. The war on terrorism continues unabated on many fronts. The threat of proliferation of weapons of mass destruction has yet to be defeated as some states still seek to acquire a nuclear weapons capability. Longstanding issues, including those relating to the Middle East, North Korea, Iran and Taiwan, remain the subject of international tension. Many countries, including in the Asia-Pacific region, continue to struggle to create the conditions they need for stable economic and political development.

In the Asia-Pacific region relationships are changing. Countries inevitably experience different levels and rates of economic development and modernisation. These differences influence strategic relationships, both between major powers and between major powers and smaller countries. The United States is adapting its posture in response to changes in the global strategic environment. The strategic and economic importance of China and India is growing. Japan is demonstrating a willingness to play a more active role in global security issues.

The Defence White Paper, *Defence 2000: Our Future Defence Force*, addressed an emerging imbalance between the capabilities that Defence would need for the future and available resources. The White Paper laid out a plan for the development of a defence capability that would meet the demands of security in the twenty-first century in an uncertain strategic environment and it provided funding assurances to meet the cost.

Successive terrorist attacks in New York, Washington, Jakarta, Bali, Madrid, London and elsewhere since 2001 have demonstrated that no country is

immune from experiencing the horrors of international terrorism. In 2003 the Government released *Australia's National Security: A Defence Update 2003*, which emphasised the challenge to Australia's security presented by global terrorism, the proliferation of WMD and the risks posed by failed or failing states.

The Government's strategic judgments in both the *2000 White Paper* and the *2003 Defence Update* have, to a considerable extent, been substantiated and confirmed by subsequent events. For the foreseeable future, it remains unlikely that Australia will face conventional military threats, but there is a continuing need to address current international security issues such as those in Iraq and Afghanistan. Defence planning must provide for both the needs of the present and the possibilities of the future.

Defeating the threat of terrorism, countering the proliferation of WMD and supporting regional states in difficulty remain of the highest priority. Australia continues to confront terrorism head on. The renewal of our commitment to the security of Afghanistan demonstrates our resolve to combat terrorist forces. Australian forces went to Iraq to uphold Australia's commitment to enforcing long-standing United Nations sanctions against Iraq relating to the proliferation of WMD. They remain in Iraq to support an evolving democracy threatened by insurgency and terrorism. Domestically, we have created new capabilities and established new relationships to enhance the Australian Defence Force's contribution to whole-of-government efforts to prepare, prevent, respond to and recover from terrorism within Australia.

The Government has called upon the ADF for a broad range of tasks, both internationally and domestically, ranging from high-end warfighting to humanitarian assistance and disaster relief. Since 1999 the ADF has had to operate at a higher tempo than at any time in the previous twenty-five years. These demands have required high levels of preparedness and have placed pressure on sustaining deployed forces. At the same time, the Government has also had to build defence capabilities that will enable Australia to meet future challenges.

This Update, *Australia's National Security: A Defence Update 2005*, builds on successive reviews of global and regional security. It describes Australia's strategic environment, the challenges we face, and the measures the Government has taken to respond. It outlines the way the Government has shaped the ADF to increase Australia's capacity to meet heavy demands of the kind we have experienced over the last few years, and the measures being taken to ensure that the ADF is a force capable of meeting future military challenges. This Update also addresses efforts to strengthen the ADF's capacity to contribute to domestic security.

The Strategic Environment

The Impact of Globalisation

The world is experiencing profound and rapid change. While the international system is never static, globalisation is accelerating the movement of ideas and technologies. It has increased the inter-dependency between countries and made borders more porous. It has increased the potency of the terrorist threat, and the potential danger of WMD proliferation. Failing states are a significant concern because the insecurity they face can easily move beyond their borders.

Nation-states remain the fundamental basis of the international community. At the same time, the political and economic structures that have developed alongside traditional nation-states exist in uneasy tension with globalising pressures. The failure of existing international institutions to provide confidence in collective security arrangements has prompted an increasing resort to coalitions-of-the-willing to resolve issues of common concern.

Globalisation has accelerated trends that are having a significant impact on security policy and defence capability decision-making.

- *Increased unpredictability and uncertainty* mean that Australia's interests can be challenged with little warning. This requires that the ADF have high levels of readiness, flexibility and sustainability.
- *The technology revolution* has led to a diffusion of technology, particularly in the areas of information and communications. Maintaining technological superiority is increasingly difficult and expensive. The proliferation of military technologies, including to non-state groups, is

particularly relevant for Australia which has relied on maintaining a technological edge in its defence capabilities.

- *Asymmetric threats* such as terrorism or WMD have reduced the value of defences built around geographic advantage. This also affects Australia, which has historically benefited from its strategic geography. Asymmetric threats reduce the advantage of states that have concentrated on building capability to meet conventional threats alone.
- *Non-state players* can, in some circumstances, constitute a strategic threat. Transnational terrorist organisations, with no state allegiance and new types of weapons and tactics, have stunned the world. Terrorist attacks since 2001 have taken advantage of the complexity and interdependencies of modern society to destructive effect. They have applied low-cost means to wreak high-cost damage.
- *Borders as security barriers* are now much less effective. National borders offer little protection from terrorism or the consequences of WMD and their proliferation. While as an island continent Australia enjoys some natural protection, we cannot be assured that our borders will remain inviolate.

Globalisation can add to the potential fallout from failing states in those situations where economic development, governance and the rule of law break down. Failing states may provide the opportunity for recruiting, training and deploying terrorists. A vacuum of governance and law and order creates an environment within which these groups can flourish. Due to the easy movement of people and goods, the consequences arising from failing states are often transported beyond their borders. The security of the global community is best served by effective governance, the rule of law and economic development at national, regional and international levels. The risk of convergence between failing states, terrorism and the proliferation of WMD remains a major and continuing threat to international security.

The world in the years ahead may well face strategic shocks that cannot be anticipated today. The timing of such events is unpredictable and their cumulative effects hard to gauge: within the past two

decades we have seen the end of the Cold War, the 1997 Asian financial crisis and the terrorist attacks of 11 September 2001. The range of possible discontinuities is wide. Although globalisation itself might not be the immediate cause of such shocks – for example a pandemic, a state failure, a catastrophic terrorist attack, or perhaps a military confrontation involving major powers – the interconnectedness globalisation brings would widen and intensify their impacts.

The Growth of Regional Military Capabilities

Military capabilities in the Asia-Pacific region are growing. This trend is more pronounced in North East and South Asia than in South East Asia. It varies considerably from country to country. Some disparities in military power among South East Asian nations are likely to grow. Generally, however, middle-level powers will seek to extend their capacity to project power and to gain further advantage from networking and the fusion of intelligence, surveillance and reconnaissance systems. Existing conventional capabilities will increase in magnitude. This may occur through the proliferation of submarines, new advanced multi-role fighters, ground forces with greater mobility and better armoured systems, increased firepower, and precision in targeting systems. There are likely to be more land-attack missiles, and improved air defence, including on ships.

Regional military forces are likely to also acquire innovative capabilities. Equipment and platforms will benefit from greater use of advanced materials and technology. Unmanned aerial vehicles for surveillance and to deliver weapons and ever more capable fighter aircraft may be increasingly evident in our region.

The smaller, technologically advanced nations will continue to acquire advanced technology systems to reduce manpower liabilities and to maintain their capability advantage. The less technologically advanced nations will seek to at least maintain their current levels of capability. Many countries will experience budgetary pressures. There remains the possibility that some countries may be tempted to resort to asymmetric solutions, such as WMD or terrorist methods, to bridge their capability gaps.

The United States

US engagement in the Asia-Pacific region has been the foundation of the region's strategic stability and security since World War II, and is no less relevant sixty years on. Engagement in the Asia-Pacific region remains a key goal of US strategic policy, but US armed forces are undergoing a strategic and operational transformation as a consequence of the changed global strategic environment. This shift reflects the desire of the United States to find new solutions to emerging and enduring threats, as well as the need for more modern and less labour intensive US forces, and a desire for more flexible options for using those forces. The change also reflects a maturing of US regional relationships and a desire to see countries contribute a greater share of the cost of their own and the region's security. US allies such as Japan, South Korea and Australia, may be expected to take on more prominent roles in support of shared strategic interests.

North and East Asia

The key factors shaping North and East Asia are globalisation, economic growth, the formation of new regional consultative forums and the increasing economic and diplomatic influence of China. The major strategic relationships in North Asia are complex and evolving.

In large part China's emergence as a major market and its increasing demand for resources is driving the expansion of economic activity in the Asia-Pacific region. China is also emerging as a significant centre for technological development. The size, competitiveness and pace of growth of the Chinese economy will continue to be a dynamic influence on other Asia-Pacific economies. Barring any economic disruptions, these factors combined with China's rich history and regional diaspora mean that its strategic influence will continue to grow.

China's interests lie in a secure, stable flow of resources to support its economic modernisation, and the development of markets for its goods and services. The global community needs China to pursue these interests within a framework of integration into the global economic system. China's growing economy should benefit from stability in the Asia-Pacific region. But at the same time, the path of China's economic modernisation and growth will provide significant challenge.

The pace and scale of China's defence modernisation may create the potential for misunderstandings, particularly with the development of new military capabilities that extend the strike capability and sustainability of its forces. It is important that the development of China's military capability is transparent and that its capability decisions remain consistent with its legitimate security needs.

The developing relationship between the United States and China affects the entire Asia-Pacific region. The relationship is both competitive and cooperative. The economic interdependencies between China and the United States are significant and will increase. But with China's growth will come increasing competition with

the United States for strategic influence. This will shape future regional security arrangements as countries seek to balance the demands that will accrue from their relationships with both countries. How China and the United States manage their relationship in all its dimensions will be important for the future security of the region as a whole.

China and Japan have substantial economic and security interdependencies, as well as elements of competition, that are unlikely to diminish. How these factors are managed will affect the region's economic and political development, and the ability of China to focus on its own economic growth and development.

The Japanese Government is taking a more active role in regional and global security. It remains active in the war on terrorism. Japan increased its commitment to Iraq, both financially and through the deployment of elements of the Japanese Self-Defence Force in non-combat roles. The Japanese Self-Defence Force assisted in tsunami relief operations and has continued and reinforced other distinguished contributions to peacekeeping. The strategic relationship with the United States is developing through increased interoperability, harmonisation of Japanese and US capabilities and cooperation in missile defence.

The status of Taiwan continues to be a defining issue and a source of friction in the relationship between China and the United States. It is important that any issues concerning relations across the Taiwan Straits be resolved peacefully. While miscalculation could spark an escalation in tensions, all parties are aware that military conflict over Taiwan could have disastrous consequences for the whole region.

The Democratic People's Republic of Korea (DPRK) remains a major security concern for all countries. Its pursuit of a nuclear weapons capability, highlighted by its claim in 2005 that it had produced nuclear weapons and its record of proliferation, constitute a potential threat to Asia-Pacific security. For the DPRK, its future will be made more, not less, secure by abandoning nuclear weapons. Australia continues to support the six-party talks as the best mechanism for finding a peaceful and lasting solution to the DPRK nuclear issue. Security on the Korean Peninsula is important for the security of the Asia-Pacific region.

South East Asia

South East Asian security has been strengthened by the development of democracy in Indonesia, continuing economic development, and the effectiveness of ASEAN as a force for change and the resolution of regional issues. Governments are increasing their capacity to deal effectively with challenges to security. At the same time parts of this region are still characterised by porous borders, weak governance, inequities in the distribution of resources, problems of law enforcement, insurgencies, drug trafficking and transnational crime.

An important element of security in South East Asia is the capacity of countries, bilaterally and under the auspices of

ASEAN, to work together to manage the broader security environment. There are greater levels of multilateral cooperation in areas such as counter-terrorism and maritime surveillance.

As a country of 230 million people, Indonesia's importance to the Asia-Pacific region and to Australia should not be underestimated. Its size, historical legacy and economic potential give it a strategic importance undiminished by the significant domestic economic and political challenges of recent years. Indonesia has a pivotal role to play in counter-terrorism in the region.

Terrorism is a major security issue for all countries of South East Asia. Efforts by the Armed Forces of the Philippines to eradicate terrorist groups in the southern Philippines are important for South East Asian security as a whole. In recent years there has also been an upsurge in political violence and terrorism in southern Thailand. Border control between Malaysia, Indonesia and the Philippines continues to be a security issue for the region. The littoral and archipelagic environment to our north poses significant challenges if regional states are to interdict covert movements of people and other cargos.

South Asia

India is enjoying substantial economic growth as it continues to modernise its economy. India has become a centre for technology development. India is improving its relationship with China, and its level of trade and defence engagement with South East Asia. The development of a new framework for defence relations with the United States will facilitate increased Indian access to US military technology and provide a blueprint for improved cooperation. The United States has also agreed to help India develop its civilian nuclear power program in return for Indian non-proliferation commitments.

Pakistan remains vulnerable to Islamic extremism and to exploitation by extremist groups. A stable and secure Pakistan strengthens the ability of Afghanistan to secure its future and resist terrorists. President Musharraf's Government, and its relationship with India and the United States, are vital to the stability of the region.

An Afghanistan that can resist terrorists is far from assured. Establishing good governance and national order will reduce the opportunity for the return of Taliban forces and their terrorist associates. It will ensure that Afghanistan is no longer a safe haven for terrorists to plan, organise and train, and demonstrate that states sanctioning terrorism can be turned from that path.

The Middle East

The security and stability of the Middle East is fundamental to global security. The Middle East's role as a major supplier of energy and its position astride major trade routes makes it central to the global economic system. The trade and energy interests of many of our trading partners, including those of North Asia, depend upon a stable Middle East. Australia's vital interests are inextricably linked to the

achievement of peace and security in the Middle East.

Developments in Iraq will be a focus of international attention for some time to come. Allowing the insurgents and former regime elements a victory would be a huge setback for the region. It could lead to the break up of Iraq, gross instability and potential threat to Iraq's neighbours. Because it would have been a victory achieved through terrorism, it could encourage terrorists not just in the Middle East but across the world.

Since the end of the Cold War, no region has been more consistently confronted with the security challenges of WMD. The cause of security in the Middle East can be advanced by the elimination of threats associated with WMD. In this environment, Iran's nuclear and missile programs represent a long-term threat to the region's strategic balance.

The South West Pacific

Many countries in the South West Pacific remain challenged by internal conflict, the need for stable governance, and the need to develop sustainable economies and deliver services to their populations. The ability to manage and enforce sovereignty is an abiding concern. In the absence of long-term solutions to these issues, these countries remain vulnerable. The nature of existing and emerging threats such as terrorism, drug trafficking and international crime is such that a problem for one state is likely to be a problem for many others. The security needs of Papua New Guinea are of particular concern.

Whole of Government Responses

Current threats to security require a whole-of-government approach. The Australian Government has developed and implemented strategies to coordinate response capabilities across government. These have been set out in *Protecting Australia Against Terrorism: Australia's National Counter-Terrorism Arrangements* (2004), and *Weapons of Mass Destruction, Australia's Role in Fighting Proliferation: Practical Responses to New Challenges* (2005). There is a place for military force in combating these threats and Australia has been prepared to accept that responsibility.

Defence has committed resources, beyond those of military capability, in the national effort to respond to challenges to Australian security. Of particular note has been the increasing role of Defence's intelligence agencies, which have been at the forefront of national efforts against terrorism through the identification of potential threats and which now work more closely than ever with other national and international organisations. The Government has recognised this and increased funding of intelligence to strengthen its contribution to the whole-of-government response to terrorism.

Whether it is the whole-of-government response to terrorism, WMD, fisheries and resource protection, or in meeting the needs of neighbouring states, the contribution of Defence is expected to go far beyond warfighting.

The establishment of the Joint Offshore Protection Command in March 2005 is a contemporary example of the Australian approach to these security issues. This Command ensures that Australia has the capability to respond immediately to an emerging offshore maritime terrorism incident and to otherwise protect our

borders and critical infrastructure. Defence, the Australian Customs Service and the Australian Federal Police working together provide Australia with the highest level of border protection.

As part of its counter-proliferation efforts, Australia helped establish the Proliferation Security Initiative and continues to participate vigorously. The Proliferation Security Initiative is aimed at increasing the capacity of countries to work together in innovative ways to counter the proliferation of technologies and materials that might lead to the development of WMD by states, terrorist or criminal organisations. A number of agencies – Defence, Foreign Affairs and Trade, Attorney-General's and the Australian Customs Service – work together to maximise the effectiveness of the Australian contribution. Further, the Government has tightened Defence export controls intended to ensure that certain materials and technology do not contribute to WMD proliferation. Yet again this is a multi-agency responsibility.

Defence, through the Defence Science and Technology Organisation, has also joined other agencies in an increased focus on science and technology to counter terrorism. Defence's contributions include innovative new solutions to dealing with improvised explosive devices, capabilities to deal with chemical, biological, radiological and nuclear events, the development of advanced counter-measures technology, and other means of prevention, identification and investigation of a forensic nature.

Defence has had to focus more on domestic security and bring to bear its

capabilities in this less traditional area of service. Our domestic response encompasses secure facilities, command, control and communication systems, integrated intelligence, surveillance and reconnaissance systems, dedicated lift and medical evacuation capabilities, bomb disposal and response capabilities for chemical, biological, radiological and nuclear attacks. The Government is amending the Defence Act to ensure that the ADF can be deployed effectively and easily to support law enforcement agencies in responding to terrorist incidents.

The Government has directed the ADF to further develop active reserves with specific roles and tasks to support Australia's domestic security effort. These reserve forces will augment the current domestic security capacity and undertake additional roles and tasks involving either niche skills or specific tasks appropriate for trained and disciplined small teams and sub-units. Army experience with the current Reserve Response Forces will provide a basis for further work on this approach.

Defence Policy

Introduction

A country's effectiveness and influence in international affairs is determined by a combination of tangible and intangible factors including its reputation, its geographic size and population, the size and success of its economy, its strategic culture and its defence capability.

Defence capability makes an important contribution to Australia's weight internationally. It expresses our commitment to security and our willingness and capacity to act in support of our interests. In developing future capability the Government seeks to shape a security environment favourable to Australia's interests. This means ensuring that we have the ability to work with partners that share our interests, including the United States. It means retaining a technological edge. It also means ensuring that the government has the widest range of options available to respond to possible threats.

Threats to national and international security are increasingly interrelated. Failure to deal with a particular threat, such as terrorism or WMD proliferation, can create a cascade of adverse effects out of proportion to the original problem. Decisions about the use and development of defence capability are concerned as much with forestalling future threats and shaping the strategic choices of potential adversaries, as they are with responding to specific contingencies.

While Australia naturally takes a close interest in its neighbourhood, Australian security interests are not defined by geography alone. Australia's position in the global community is extensive and complex. Australia has many economic, political, trade, financial and cultural links around the world. As a major trading nation we have a significant stake in the maintenance of a global order that underpins our ability to participate and trade within a global community. Some five per cent of our population is overseas at any one time. Some 23 per cent of Australians were born overseas. Many Australians are the children of migrants. By virtue of its effective integration into the global community, Australia has security interests far distant from its shores.

Australia's defence policy response to this environment has two major elements. The first is to shape and build a defence capability that is versatile and adaptable, and which links easily with other arms of the Australian Government. Australia has and will continue to build a force that is joint, balanced, networked and deployable. Such a force provides options for a credible response wherever Australia's security interests are engaged.

The second is to build strong security relationships both regionally and globally. Australia must have the capacity to lead or contribute to coalitions in our region, while at the same time providing capacity to contribute to coalitions in areas further afield where our interests might be at stake. To this end, the ADF has to be adaptable and versatile in meeting and sustaining

the demands of diverse operations and coalitions.

Key Relationships

The Australia–US Alliance forged during the Cold War remains as relevant and as important as ever. It is based on shared values and interests and remains the cornerstone of our national security. The continued evolution of the Alliance to meet new strategic challenges is an enduring strength of the relationship.

Similarly, deep and historical relationships such as those with the United Kingdom and New Zealand remain of vital importance. However as Australia has matured as a nation and grown in capability, it has also sought to develop a broader range of defence relations – both regionally and globally. These relationships include new partners such as Japan and security institutions such as NATO, which we are supporting in Afghanistan. The Government recognises that our security interests are global and that consequently we need to work with other countries and major international organisations.

Common threats such as terrorism and WMD proliferation have also drawn states into coalitions, recognising that meeting these threats requires cooperation and joint response. These experiences will strengthen defence bonds between the partners beyond the specific motivation of the coalition.

Within the Asia-Pacific region, Australia will continue to develop defence relations and seek to build confidence and understanding through such arrangements as the ASEAN Regional Forum and the Shangri La Dialogue.

The United States

Australia's strategic alliance with the world's single global power is a national asset. Our shared interests are expressed in our continuing engagement in security and defence areas, including through participation as a member of coalition forces in Iraq and Afghanistan.

The alliance with the United States confers major strategic, political and economic benefits on Australia. The defence relationship is a substantial force multiplier for Australia's defence and intelligence capabilities, including in relation to terrorism. Both countries have worked hard to remove barriers to interoperability and to ensure that Australian and US forces can work together ever more effectively.

Intelligence is a core part of the relationship. Technological change and emerging capabilities have provided valuable new opportunities for engaging with each other. Developments in intelligence, surveillance and reconnaissance are enabling increasing levels of sensor integration and extraordinary enhancement to current capabilities. While the engagement is expensive, and will be more so in the future, the benefits far outweigh the cost. Similarly, new technologies are opening up greater opportunities for cooperation in exercises and training. Recent initiatives such as the Joint Combined Training Centre will enable advanced training and exercising between Australian and US forces, particularly in the area of network-centric operations.

Australia will continue to look for ways to support the United States in the Asia-Pacific region. Australia's participation in the US Missile Defense Program, in practical ways proportionate to our capacity and interests, reflects our shared strategic interests.

South East Asia

Australia's security interests are best served by a regional strategic environment that promotes economic and political wellbeing. Australia is working with regional governments to help shape such an environment. We have helped to build national and regional defence capabilities to enhance security and to deal with possible contingencies. We have put a particular emphasis on helping regional states improve maritime security and build their counter-terrorism capabilities.

Regional states will continue to look to Australia for help because of our robust democracy, strong economy and operational effectiveness. They will seek help in building capacity to meet their security needs and to respond to events beyond the ability of individual states to resolve. Australia can offer both human and technical resources. The value of these partnerships was evident after the tragedy of the Indian Ocean tsunami on 26 December 2004, when the ADF was able to join quickly and effectively with host governments and other regional forces to provide support for disaster relief.

Australia attaches high priority to working with Indonesia on common security issues, particularly terrorism and border security. We have rebuilt the defence relationship after the stresses of East Timor. Our focus is on developing activities, at a pace comfortable to both countries, that will confer practical benefits. Developing mutual confidence and awareness between our forces will be an asset for both countries.

We are working with countries in the region to develop counter-terrorism capabilities. This activity includes counter-hijack and hostage recovery exercises, as well as intelligence exchanges, training and information sharing. We are also seeking to increase our assistance to the Armed Forces of the Philippines in the form of training, maritime surveillance, exercises and counter-terrorism capability development. These efforts complement assistance provided by other Australian Government agencies.

The Five Power Defence Arrangements were established in 1971 to support the defence of Malaysia and Singapore. It is a partnership between Malaysia, Singapore, the United Kingdom, New Zealand and Australia. FPDA has been a force for strategic stability. It remains relevant, though in a changed context. It has facilitated training and exercises and proven a robust and flexible vehicle for developing defence capabilities in Malaysia and Singapore. It has established a strong foundation for cooperation between member nations and interoperability between their defence forces. In response to the current security environment, and particularly the need to ensure the security of the South East Asian maritime environment, Australia has given strong support to the FPDA's evolving focus on area defence, maritime surveillance and counter-proliferation. Recent FPDA exercises in relation to asymmetric threats have demonstrated its potential in this contemporary role.

Australia is increasing its cooperation with regional states in the area of intelligence

and surveillance. This cooperation can build on current activity and include, where possible, the development of shared maritime situational awareness and other information exchanges. For the future it may also include the development of combined operational concepts, and exercising. This work will be directed to capability development in counter-terrorism, maritime surveillance, search and rescue, counter-proliferation, counter-narcotics and anti-piracy.

North and South Asia

Australia's stake in strategic stability in North Asia is very high. Our trade with Japan has been one of the foundations of Australia's economic development since the end of the World War II, but our strategic and defence relationships have been more limited. Opportunities for greater security cooperation are now set to increase. Working together in Al Muthanna Province in Iraq and with other coalition partners has been a positive experience and an indicator of an evolving defence relationship. Australia also strongly supports the Japan–US Defence Alliance, an essential element of stability and peace in the Asia-Pacific region.

In the context of a growing economic and trade relationship, we have begun to develop a modest defence relationship with China aimed at increasing the level of mutual understanding on security and defence issues. This engagement has included high-level visits and discussions at ministerial and senior defence levels.

We expect increased opportunities for security cooperation with India to develop over time. It will be in our national interest to take advantage of these opportunities: India's defence relationship with South East Asia is developing, and we share an interest in the security of South East Asian waterways.

New Zealand and the South West Pacific

Australia and New Zealand share many strategic goals, particularly that of maintaining the security and stability of the South West Pacific. The Closer Defence Relationship provides a framework for continuing to increase levels of interoperability and to explore opportunities for cooperative development of capability. Our recent work together with other members of the Pacific Island Forum in Bougainville and the Solomon Islands demonstrates the continued value of the defence relationship. Australia will continue to work with New Zealand to increase our capacity to work together.

Australia has a leadership role in the South West Pacific. In support of this, Australia will continue to work with countries in the South West Pacific challenged by internal conflict. The Australian-led Regional Assistance Mission to the Solomon Islands highlighted the ADF's role in contributing to security in the South West Pacific by supporting a state facing serious issues of internal instability and insecurity. The mission was a major success and the ADF continues to play a role in consolidating the gains and in nation-building in the Solomon Islands.

Defence is working with the PNG Defence Force to enhance its professionalism and effectiveness. This includes supporting a reduction in the size of the force while improving its overall capability. Our goal is to help PNG achieve a defence capability consistent with its needs and commensurate with the level of available resources.

Security in the region is strengthened when countries of the South West Pacific recognise that they share a common environment with common challenges that can be dealt with more effectively through coordinated responses. Australia uses the Defence Cooperation Program to support this agenda by emphasising activities that promote a shared perspective. The program provides assistance and expertise in governance, administration and security studies to support the training and education of defence and other security and government personnel from Pacific Island countries. We intend to further increase our focus on dealing with the unique governance and security challenges faced by the island states of the Pacific. Australia will also provide support for infrastructure development and humanitarian assistance when necessary.

Australia will work with these states to extend maritime surveillance cooperation to support control of their Exclusive Economic Zones, advance counter-proliferation efforts, enhance maritime security, and protect from or take action against transnational crime. We will build on the relationships and successes of the Pacific Patrol Boat Program.

The Middle East

Australian forces have deployed to the Middle East to support our interests in peace and stability many times since 1915. We have played significant roles

in two world wars, in the Gulf from 1991, and in Iraq since 2003. Our contribution to the United Nations Truce Supervision Organization since 1948 continues.

We continue to contribute to the Multinational Force in the Sinai and are supporting the roadmap between Israel and the Palestinian Authority. The ADF plays an ongoing role in encouraging and supporting progress towards peace and accommodation in this critically important region.

Iraq will need substantial support from the international community to win its struggle against insurgency and terrorism. Australia has made a large investment in helping secure a stable and positive future for Iraq and will remain committed until that job is done.

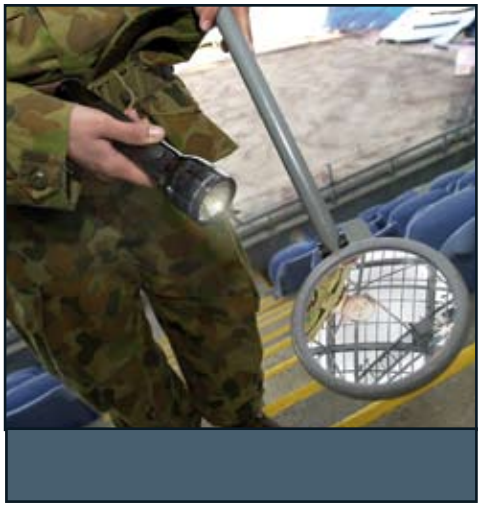
We continue to work with like-minded nations to persuade Iran that its interests and those of the region are better served through the dismantlement of programs which may be aimed at developing a nuclear weapons capability.

Capability And Resources

Defence capability is the most potent of the range of instruments Australia employs to promote and support its security interests. But it is only one of a broader range of tools available for that task. The ADF rarely acts alone. It may at times take the lead. At other times it may act in support of other Australian Government agencies, such as in Regional Assistance Mission in the Solomon Islands internationally or in support of domestic security within Australia. On other occasions, it will contribute to international coalitions as an ally or member of the UN.

To meet all these policy and strategic needs, the ADF must be able to operate as a networked, joint force across information, air, land and maritime domains. It must be able to operate in environments that are complex and ambiguous, and where adversaries, including non-state adversaries, have increasingly lethal capabilities. Through continuing modernisation, it needs to retain a capability edge over potential rivals. At all times it must maintain high levels of preparedness.

The ADF has demonstrated its value as an essential instrument in supporting and defending Australia's interests in a wide range of situations since 1999. In these six years a cumulative total of some 68,000 ADF personnel have been deployed in many operations, including those in East Timor, Bougainville, Afghanistan, the Middle East



and Iraq, the Solomon Islands, and the Sudan. Several of these operations have been concurrent. As well, there have been continuing border security tasks, natural disaster relief operations and contributions to long-running UN peacekeeping or peace-monitoring operations in the Sinai and elsewhere in the Middle East. The ADF has also supported domestic security operations such as those for the Olympic Games and the Commonwealth Heads of Government Meeting. For the ADF and Defence generally, the tempo has been demanding.

The recent high demand on Defence is likely to continue. Accordingly, our force must continue to develop and retain the ability to provide response options across the range of potential domestic, regional and global strategic scenarios. It must be versatile, robust, joint and integrated.

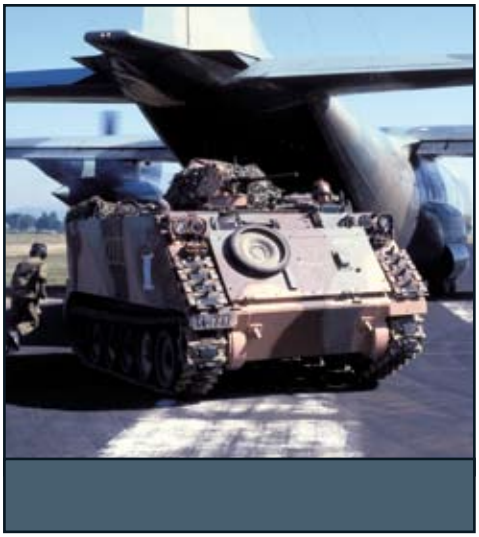
Versatility represents the capacity to perform a range of different roles, often concurrently, and will remain an important capability requirement. Different potential

threats to Australia's security require quite distinct, tailored responses. Operations in Iraq have required different skills, capabilities and operating processes to those required in the Solomon Islands, and different again from those needed in Sumatra following the tsunami. While the ADF has performed equally well in all three theatres, the challenge to remain versatile continues.

Robustness is indicated by depth in resources and personnel and is an essential quality if the ADF is to retain the ability to sustain operations for lengthy periods, such as in Iraq and East Timor. To support its ability to undertake concurrent operations, the ADF will need to build its capacity in key operational support areas, including health, communications, logistics and some specialist trades.

Jointness responds to the challenge of ensuring that all service elements operate together in ways that make a truly joint force. Jointness ensures that the ADF is able to deliver outcomes benefiting from the force multiplier effects of working together. In a joint force, the sum of the whole effort is much more than the capability of its parts working alone. To maintain this priority for the development of the ADF, capability decisions will continue to emphasise the importance of joint warfighting and of the ADF developing as a fully networked force.

Integration represents the ability to network weapons platforms and capabilities to strengthen their effectiveness as part of a whole force. It is of fundamental importance to the ADF's operational effectiveness. This necessity goes beyond



simple information exchange between ADF capabilities. It also relates to the level of interoperability the ADF has with other agencies of the Australian Government and the forces and capabilities of our allies, friends and coalition partners. The Government will continue to give priority to the development of the ADF as a network-enabled force.

An ADF which is versatile, robust, joint and integrated will be able to contribute with increasing effectiveness to global, regional and domestic security. Such contributions, and the decisions that underpin the development of the ADF's force structure, will always be tempered by the realities of Australia's size and resource constraints and will take into account Australia's responsibilities in its immediate region.

Australia has, and is seen to have, particular responsibilities in the Pacific Islands area and must have a capability to act in a manner commensurate with these responsibilities. Australia will also retain the capability to contribute to coalitions elsewhere when our interests are at stake, as they have been in Iraq and Afghanistan. There are other circumstances in which the ADF commitment may be small, even down to individuals with unique and specialist skills, such as the small but highly focussed ADF contingent currently in the Sudan supporting UN peacekeeping activities.

In providing ADF support to coalitions, the Government recognises the need to make a meaningful contribution to the coalition's capability. At the same time, Australia's regional security interests require that we have the ability to respond comprehensively to contingencies that might arise with little warning. Balancing these imperatives will continue to shape decisions about the deployment of the ADF.

To ensure that Australia is a credible contributor to global and regional security, the Government has taken capability decisions that increase the ADF's combat weight, its mobility and its sustainability.

Army

Over recent years there have been major Army deployments in diverse roles and situations. The Army has had to operate at a high tempo and maintain high levels of readiness. Increasingly, the trend in modern operations has been that they take place in environments of great complexity that may include urban areas or places where it is difficult to identify the enemy. A single Army unit may have to change roles substantially over the course of one operation or conduct several tasks

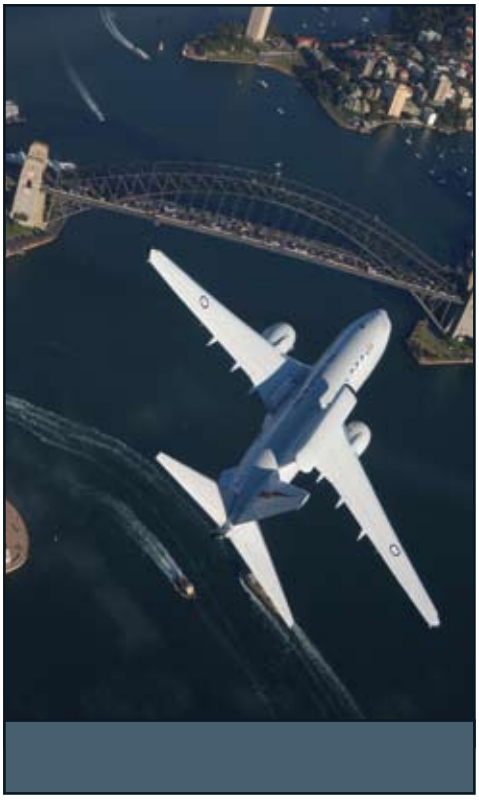
at once. Due to the technology and weapons available to them, adversaries, including terrorists, are becoming more lethal.

Recognising this challenge, the Government is taking steps to harden and network the Army providing greater mobility and fire support and maximising its network capabilities. These measures include the purchase of a number of new platforms including the M1 Abrams tank, Tiger armed reconnaissance helicopter, MRH90 helicopters and upgrading and increasing the number of light armoured vehicles. The Army is also introducing battlefield unmanned aerial vehicle technology to increase situational awareness at the tactical level.

The Government recognises the need for a new phase in the development of the Army to create greater combat weight. This new phase will increase the size of the force, its weight and mobility, and provide a new force structure of combined army battle groups.

The Government has also accepted that the role of the Army Reserve needs to be refined to provide a focus on high readiness individuals and small teams to contribute to operational deployments. These capabilities will increase the level of force protection, provide greater options for how and where the ADF might be deployed, and strengthen the Army's capacity to operate as part of a joint, networked force.

These reforms will help build an Army that can continue to perform in diverse roles and environments. This will in turn increase the flexibility and range



of response options available to the Government, from expeditionary forces to domestic security.

Navy

The acquisition of new amphibious ships will extend the assured reach of the ADF and allow for the deployment of larger and heavier forces, as well as providing an additional capability for humanitarian assistance. New air warfare destroyers will help protect those forces during a deployment. The Collins class submarines with a new combat system and new heavy torpedos will add to that protection. So too will the ever more capable ANZAC frigates and FFGs with SM2 missiles. These will be complemented by the best maritime surveillance aircraft in the world. Border patrol will be significantly enhanced by the new fleet of Armidale patrol boats.

Maritime force capabilities are being further enhanced by upgrades to the Seahawk helicopters and introduction of the Super Sea Sprite helicopter fleet. Importantly, communications enhancements will provide the Fleet with a more robust capability for network-centric warfare.

This program to grow naval capability will increase the ADF's capacity to conduct operations in a wide range of possible regional or coalition contingencies.

Air Force

Over the next decade the ADF's air combat capability will be significantly enhanced by the upgrade of our existing F/A-18 fleet, the expected transition to the Joint Strike Fighter and by significant improvements to survivability and precision weapon capability.

These capabilities will be complemented by airborne early warning and control aircraft and air defence surveillance system enhancements, which will provide better situational awareness and command and control. New generation air-to-air refuellers will increase both the reach and persistence of the air combat capability. Similarly, upgrades to the AP-3C Orion aircraft and transition to a new manned and unmanned maritime surveillance and response capability will enable a broader spectrum of operations and maritime cooperative tasks to be undertaken.

Our airlift capability remains fundamental to mounting and sustaining the spectrum of ADF operations and will continue to be upgraded over the decade. The Government will consider the option of a heavy transport aircraft. The ADF's airlift capacity also remains a critical element in support of humanitarian operations.

A Joint ADF

Each of these capabilities contributes substantially to the strength of the ADF and hence Australia's security. Working together, these capabilities produce a greater joint effect than the individual platforms operating without coordination. Consequently, the ADF can produce strategic effects out of proportion to its size. As these capabilities are introduced they will be integrated and connected within a joint operating concept to ensure that their inherent potential is maximised and that they build on the ADF's existing capacity for joint warfare and operations.

The new integrated Joint Operational Headquarters to be built near Bungendore in NSW and the modernisation of satellite communications capabilities will maximise the benefits of the joint and networked force.

People

The acquisition and integrated use of platforms and systems will not alone deliver enhanced capability. Equally important is the need for people working with a joint operating concept to have the right competencies and skills to command, operate and maintain these platforms and systems. It is the quality, innovation, capacity and commitment of the men and women of our armed forces that is decisive in ensuring the ADF's superior capability.

This importance will increase, particularly as regional defence forces become more technologically proficient, and Defence, as with all organisations, experiences tougher competition for the best talent.

Recruitment and retention of an ever more technically capable force, and in a strong and growing economy, will become more challenging. While a sense of public duty and responsibility will always be the core of defence service, the Government will ensure that conditions of service are competitive. This includes sensitivity to the needs and aspirations of families. Defence personnel policies must ensure the ADF remains a preferred employer in the future labour market. A number of initiatives in this area can be expected during the next year.

Resources

There are growing cost pressures on the defence budget. Sustained operational tempo is depreciating ADF equipment more quickly than planned, reducing its life and increasing maintenance costs. Concurrency pressures are putting strains on logistics, communications and health support. The rising cost of 'state of the art' military equipment, particularly capabilities essential for the ADF's capacity to develop and operate as a superior networked force, is putting extra pressure on the Defence Capability Plan. Personnel and operating costs continue to rise at rates exceeding inflation. Since the Defence White Paper in 2000, the Government has met these cost pressures with a three per cent real growth inflator and by providing extra funding for operations, logistics, infrastructure and accommodation. Cost pressures will remain and will demand increasing efficiencies across the portfolio.

Departmental and Industry Support

The capability and effectiveness of the ADF depends on the support it receives from the wider Defence Organisation, from other Australian Government agencies, and from the community. This support ranges from intelligence to research and development, infrastructure, services, materiel and equipment. Reliance on private sector support will grow in the future. A planning partner from the private sector is to be appointed to help develop operational support. This will ensure that Defence maximises private sector capabilities consistent with operational requirements.

Defence must also continue to pursue internal reforms to ensure the most efficient use of resources. Defence continues to rationalise corporate and regional support to achieve cost efficiencies. For the future, this will include rationalising defence bases and facilities.

Since the Kinnaird Review, reform has continued in the areas of capability development and acquisition. Establishment of the Capability Development Group has improved the development and management of new capability proposals. The Defence Materiel Organisation is now a prescribed agency of government. This strengthens Defence's capacity to better meet the demands of complex project management, and to support implementation of the Defence Capability Plan. Significant progress has been made in this regard.

Defence industry is critical to meeting the needs of capability and sustainment. The Government is committed to policies that will build an internationally competitive defence industry that is better able to support, sustain and upgrade defence assets. Providing opportunities for defence industry to compete in global defence projects remains a key aspect of this challenge.

Conclusion

Government decisions on capability embody a coherent and logical response to the existing and emerging strategic environment, responding to the threats of the present and preparing for the challenges of tomorrow.

This Update continues the principles in the *2000 Defence White Paper* and *2003 Defence Update*. Capability decisions that have been taken within the framework of these principles will ensure that the ADF is better resourced and equipped to exercise its significant security responsibilities in the immediate region, make meaningful contributions to coalition operations further afield and more broadly defend Australia and Australian interests.

While planning to meet the threats of the future, the ADF has become more capable of effectively meeting today's threats: terrorism, the proliferation of WMD and the challenges arising from state fragility. Starting with the highly skilled and technically proficient people who make up Defence, the Government has committed to continue building capacity in these areas. New and larger amphibious ships, a bigger and more capable Army and better troop lift capabilities will help meet high-level threats, but they will also help us meet today's challenges. These capabilities will better enable Australia to contribute to coalitions in support of national and global security.

Australia will continue to work to support the Asia-Pacific region in addressing threats of terrorism, weapons proliferation and the challenge of failing states. In an ever more inter-related world, threats to our neighbours are threats to us. Whether fighting terrorism, piracy, transnational crime, international drug syndicates or people smugglers, Defence remains a key tool of the Australian Government. Similarly, Defence's role in meeting the threat of proliferation of WMD within the region and in supporting fragile and vulnerable states will continue. Importantly and uniquely, Defence remains the primary instrument of the Australian Government in building warfighting capacity to respond to possible future threats. Defence will therefore continue to have a central role to play in protecting and assuring Australia's national goals of a peaceful, stable and increasingly prosperous region.