Lean Times Ahead for the Australian Defence Force

Mark Thomson

With Australia's economy performing well, the government's recent dramatic reduction of defence spending may prove a mysterious, and retrograde, step in the eyes of its strategic allies.

The numbers tell the story. In May 2012, Australia's centre-left Labor government slashed defence spending in real terms by 10.5 per cent, the largest year-on-year reduction since the end of the Korean War. As a result, defence spending as a share of GDP in Australia plummeted to 1.56 per cent, the lowest figure recorded since the eve of the Second World War in 1938.

Although many other Western countries have reduced their defence spending substantially in the aftermath of the 2008 financial crisis, Australia's move is doubly surprising. To start with, Australia is in rude economic health. Unemployment is only around 5.5 per cent, economic growth is a healthy 3 per cent, and net government debt sits at a paltry 10 per cent of GDP. By any measure, Australia lacks any credible economic reason to reduce defence spending at this time.

Even more surprising, the cuts represent the abandonment of the Labor government's much-lauded 2009 defence white paper and its associated long-term plan to modernise and expand the Australian Defence Force up to 2030. Given that most commentators saw the 2009 plan as a thinly disguised response to the rise of China, few would have anticipated that Australia would shelve its plan for a stronger defence force just as China began to flex its muscles in the region. So what exactly is going on?

In fact, neither economics nor geopolitics has anything to do with the recent retrenchment in Australian defence spending. Rather, it reflects the peculiar domestic politics surrounding fiscal surpluses in Australia. Having pursued a policy of Keynesian stimulus to see it through the financial crisis, the race is now on for the Labor government to return the budget to surplus prior to the next election, scheduled for late 2013.

For better or worse, short-term fiscal results have become a *de facto* measure of responsible economic management in Australia. And because it is now more than twenty years since a Labor government has delivered a surplus, the political stakes are very high. To be clear, this has nothing to do with the size of government debt in Australia – which is small in both relative and absolute terms; it is simply a question of whether revenues exceed expenses in the years ahead.

This antipodean fixation with fiscal surpluses has served to create a prisoners' dilemma between the two sides in Australian politics, the Labor party on the one hand, and the Liberal/National Party coalition on the other. Both know that there would be no harm in adopting a more lax fiscal policy, but neither is willing to say so for fear of being accused of being 'weak' on deficits. Defence spending is among the casualties of this pointless political standoff.

Of course, the government could have balanced the budget in other ways; taxes could have been raised or social spending cut, for example. The fact that defence spending has been sacrificed implies a political judgement about its relative priority.

For most of the decade following the attacks of 9/11, a reduction in defence spending was the last thing on the minds of Australian policy-makers or the wider public. With troops in Iraq, Afghanistan, East Timor and the Solomon Islands, the country's commitment to building a more capable defence force attracted strong bipartisan and broad public support. But times have changed. Not only are Australian forces now returning to barracks, but the strategic fears of the past decade have been supplanted by the economic woes of the post-financial crisis era.

As such, considerable uncertainty surrounds Australian defence in the medium-to-long term. The recent budget cuts extend to 2015, with no clear indication of what will come next. It will be up to a new defence white paper – promised for the first half of 2013 – to plot the way ahead. In the meantime, the defence force is being kept in stasis. Uniformed personnel numbers have been frozen, discretionary spending has been severely curtailed and capital investment has been cut to the bone. At the same time, the government maintains that all of the 'core capabilities' of the 2009 plan will still be delivered. However, without a renewed commitment to sustained increases in the defence budget over the long term, this will not be possible.

Unless the government wants to make wholesale reductions in the existing force, some recovery in defence spending is inevitable. Even so, at present it seems unlikely that sufficient funds will be available to afford the full range and quantity of capabilities envisaged back in 2009.

This pessimistic view is reinforced by the fiscal outlook. Both sides of Australian politics have made promises that will exacerbate the budget balance, either by cutting taxes or establishing new spending programmes. So no matter who wins the next election, it will be difficult for them to find the money for a renewed defence effort. To date, the best the opposition has been able to come up with is that it will reinstate growth to the defence budget when circumstances allow; hardly a commitment to take to the bank.

In all likelihood, difficult decisions will have to be made about which elements of the 2009 plan to retain and which to discard. Here there are no easy options. Having spent a decade building up the capacity to deploy and sustain a brigade group offshore, the army now faces the prospect of having its numbers cut back and its support capabilities hollowed out.

For its part, the navy has a number of ambitious projects that will also be competing for reduced resources. These include new classes of frigates and patrol combatants – each larger and more sophisticated than the vessels they are due to replace – and a new class of twelve highly capable long-range submarines to replace the existing troubled fleet of six *Collins*-class boats.

The challenge for the air force concerns its air-combat capability. With the aspiration to acquire 100 F-35 Joint Strike Fighters, and with a recently purchased fleet of twenty-four F/A-18 Super Hornets to maintain, it is far from clear whether there will be enough money to deliver all that is planned.

In theory, the 2013 defence white paper will set the priorities among these competing capability options, and provide financial guidance for the years ahead. But this may be easier said than done. The fear is that the government will ignore the question of resources and instead issue a watered down white paper that promises everything but funds nothing; a 'white pamphlet' as it has been called in the media.

Indeed, the government's apparent abandonment of its 2009 defence white paper has attracted heated criticism from many quarters. While the various critiques differ in their detail, the broad thrust is that the rise of China makes it imperative for Australia to build up its defence force at this time. As intuitive as this might sound, it presumes that Australia can make a difference among the great powers of the Asia-Pacific in the twenty-first century, a presumption that is far from a given.

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With a population of less than 23 million, Australia is, and will remain, a minnow in the strategic affairs of East Asia. Nonetheless, some have suggested that Australia should make an all-out effort to tip the balance of power in favour of the United States, or even develop the strategic capacity to stand up to China unilaterally. Given that the economic cost of attempting to do so would be in the vicinity of at least 3 per cent of GDP (and that even then there would be no guarantee of success), such a radical change is hardly likely to be approved in the current environment.

Perhaps the most influential voices in the debate over Australian defence spending have come from the United States. Since the end of the Second World War, Australia has relied on the US to provide the regional stability that underpins its security and prosperity. For this reason, Australia is particularly sensitive to how its defence efforts are perceived by its larger partner.

Over the past decade, Australia has worked hard to strengthen its alliance with the United States by contributing to operations in Iraq and Afghanistan. The last thing Australian policy-makers want is to squander the store of good will they have accumulated by failing to carry their weight during peacetime.

Unofficially, there has been more than a little grumbling from across the Pacific about Australia's defence cuts. There have even been comments by the regional US commander in Hawaii. At the highest level, however, Washington has been diplomatic to a fault on the issue. This probably reflects the fact that the US is busy managing its own defence drawdown, and is therefore not in a position to criticise Australia. Alternatively, after decades of experience

Will the planned replacements for these troubled *Collins*-class submarines be sunk by Australia's new defence white paper? *Image courtesy of Flickr/PACOM.*

with free-riding allies elsewhere, it might simply recognise that there is nothing to be gained by raising the issue.

In any case, the recent US 'pivot' or 'rebalancing' to Asia has created something of a dilemma for Australia. With the US making a long-term commitment to the region, how can Australia remain relevant to the alliance at the same time as it cuts back its defence force? In recent months, signs of a two-pronged strategy have emerged in this regard.

First, the US is being invited to make greater use of Australia's defence facilities and territory, the November 2011 announcement of the annual rotation of 2,500 US marines for training exercises in Darwin constituting an example of the use of Australian facilities to support a closer partnership with the US. More recently, such arrangements have been supplemented by the positioning of a US C-band space surveillance radar in western Australia and the announcement of a study to explore the greater use of Australian naval facilities by the United States.

Second, Australia is seeking to support the US pivot to Asia through its own engagement with Southeast Asia. In effect, Australia has recognised that the United States wants to work more closely with all of the countries in the region, and sees its existing regional relationships as a means of assisting its ally in doing so. As a start, joint Australian-US-Indonesian military exercises are planned to take place in northern Australia in 2013.

It remains to be seen how far Australia can go in terms of managing its alliance with the US on the cheap. At present, it seems to be getting away with it. But even if the US is happy for Australia to pay in kind for the alliance, there will come a point when Australia has to face the fact that a credible defence force costs serious money. For the moment, this reality is being avoided.

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Creating Reverse Asymmetry: Israel's Military Innovation

Michael Raska

To maintain its strategic edge against an evolving threat, the Israel Defense Forces have developed capabilities-based defence concepts rooted in the principle of 'reverse asymmetry'.

Israel's Operation *Pillar of Defense* was launched, in November 2012, with the stated aims of halting rocket attacks and disrupting the capabilities of militant organisations in the Gaza Strip. With over 1,500 precision strikes targeting weapons stashes and Hamas government sites, the operation saw the implementation of elements of the Israel Defense Forces' (IDF) new 'Firepower and Combined Arms' concept – one that has been gradually reshaping the IDF's strategy, force structure and operational conduct.

The Firepower and Combined Arms concept has evolved from the lessons learned in the Second Lebanon War of 2006 and Operation *Cast Lead* in Gaza in 2009, and departs sharply from traditional notions and rules governing high- or low-intensity conflict, and air-, ground- and sea-based strikes. Instead, the use of firepower is target-driven, network-enabled and precision-oriented, with IDF ground commanders assuming instant 'organic control' of the navy's ship-launched missiles and artillery as well as of any available 'shooter' assets of the air force as soon as targets are identified by intelligence.

Together with the integration of advanced weapons systems, platforms and technologies, this conceptual innovation reflects Israel's continuous search for effective operational responses to the growing complexity of the security challenges it faces. Traditionally, Israel has distinguished between three types of military commitments or 'circles of defense': perimeter (conventional military threats to Israel's territorial integrity from the large, standing Arab armies of neighbouring nations such as Egypt, Syria and Jordan); intra-frontier (the threat posed by terrorist attacks and low-intensity incursions emanating from within the country); and remote