



Clockwise from top left: An army ASLAV during the Afghanistan role; a welcome in Townsville for Australia's 2nd Cavalry; taking cover in a simulated rocket attack in Queensland; soldiers in ceremonial role; an RAAF Hercules releases flares and ASLAV cavalry (combined); Australian, US and Chinese troops in the Northern Territory; the 2013 navy review in Sydney. Centre: Army helicopter flares

Australia, including an army brigade in the Darwin area, air force bases in Tindal, Learmonth, Curtin and Weipa, and moving the navy's main submarine base from Sydney to Fremantle to be much nearer to likely operating theatres.

There was considerable resistance from some elements of the ADF to these moves to the north and west of the continent.

The Howard government developed a hybrid approach recognising Australia's "most important strategic objective" was to be able to defend our territory from direct military attack.

It also gave priority from 2001 to expeditionary operations in Afghanistan and Iraq. This led to views in Defence that "came as

you are" expeditionary wars in the Middle East should determine the ADF's force structure and operating priorities.

But we now face a whole new set of strategic demands that require a serious reorientation of the ADF's priorities.

The build-up of highly capable military forces in the region to our north and rising geopolitical tensions should dictate the return of geography to the centre of our force structure planning.

Our area of primary strategic interest should extend from the eastern Indian Ocean to the South Pacific and from Southeast Asia (including the South China Sea) to the waters of Antarctica.

This amounts to about 20 per cent of the Earth's surface, which is

a nontrivial task for an ADF of less than 60,000 people.

It should strongly influence the range and endurance of the equipment to be acquired for the defence force, as well as numbers of platforms required for sustained operations. This means we need to develop a maritime strategy with a heavy investment in having the most technologically advanced navy and air force in our region.

It also demands a change to army, with more focus on our own region of direct strategic concern.

Contrary to the views of some commentators, this does not mean identifying any particular country as a military threat.

In any case, which country would that be?

Not Japan or India, which are

ted. To make matters worse, the will and capacity of the US to keep the peace is increasingly under question. With US debt mounting and partisan gridlock engulfing Washington politics, it's hard to be optimistic.

The challenge for the Prime Minister is to find a balance between the competing demands of growing strategic and economic risks. The common thread is money. Whether it's paying down debt, or smoothing the transition to a more efficient tax regime, or expanding the size of the navy, money will be required.

Turnbull and new Defence Minister Marise Payne so far have avoided any mention of the 2 per cent target. And why would they do otherwise? It's early days yet and they probably haven't had a chance to study the draft document and discuss it with their colleagues on cabinet's national security committee.

Nor has the Turnbull government had a chance to formulate the broader economic and fiscal strategy within which defence funding has to be accommodated. Almost certainly, no final decision has been made about future defence funding.

From one perspective, it would be good to see the 2 per cent target abandoned. Planning a defence strategy on an arbitrary percentage of GDP is poor policy. It explicitly gives priority to the consumption of resources rather

democracies. Neither is it any of our neighbours, although we will always need to keep a close eye on developments in Indonesia because of its proximity.

So that leaves China, and are we really going to develop a defence force to fight China?

There are, however, credible contingencies in which we might have to contribute to allied military efforts to counter Chinese coercion, particularly in Southeast Asia, and if necessary to support US-led military operations in northeast Asia.

There will also be a requirement to develop further our military bases in the north of Australia and to put more effort into our military presence in the west. And while it will be increasingly

than the delivery of military capability, it puts the cart before the horse. On the other hand, there would be some eye-rolling from our friends and allies if we repeated the events of 2009 when grandiose promises about defence funding were abandoned almost as quickly as they were made.

In the medium term, there may be only limited flexibility to cut back on planned spending growth. Although the white paper remains under wraps, many capability decisions have been disclosed.

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Recently announced P-8 maritime patrol aircraft, additional C-17 transport aircraft, anti-submarine capable frigates, offshore patrol vessels, submarines and protected mobility vehicles will soak up cash in the years ahead. For better or worse, Abbott already may have spent a good share of the promised 2 per cent of GDP.

Nonetheless, savings are still possible in the multibillion-dollar shipbuilding program.

difficult — and more expensive — for us to maintain a clear technological lead, there is no reason we should not have the most potent military force of any medium-sized power in the Asia-Pacific region.

This next white paper must deliver on a bold new maritime strategy for Australia's defence planning. It can do so by refocusing on the relevance of our regional geography and the need for a clear margin of technological advantage in key elements of the ADF's force structure.

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MARK THOMSON



In the final days of the 2013 election campaign, Tony Abbott promised to boost defence spending to 2 per cent of gross domestic product within a decade. The move was unexpected.

Spending that much of GDP on defence previously had been raised only as an aspiration — something to be achieved if and when circumstances allowed.

Even for a mid-sized economy such as Australia, 2 per cent of GDP is a lot of money. Across the 20-year planning horizon of the forthcoming defence white paper, it amounts to more than \$1 trillion, based on present estimates of inflation and growth.

For more than 18 months, the Department of Defence has been drafting a new defence white paper to explain why this prodigious amount of money is needed and how it will be spent. By all accounts, the document and its 20-year capability plan were close to completion when Malcolm Turnbull replaced Abbott as prime minister. So what now?

Despite continuity in some

Having entered office with an economically rational approach to defence procurement, the Abbott government embraced "nation building" when the politics of South Australia turned against it.

The resulting promise to rapidly establish two continuous shipbuilding programs — one for surface combatants and another for smaller vessels — is likely to be as inefficient as it is risky.

If you want to know what the result might look like, check out the Air Warfare Destroyer project under way in Adelaide — more than 30 months delayed and \$12 billion over budget.

It remains to be seen whether Turnbull rubber-stamps Abbott's plans for the Australian Defence Force.

If he does, he'll have less money available to seed economic reform and retire debt. If he doesn't, he'll have to expend some political capital rolling back Abbott's shipbuilding largesse and pruning the military's shopping list. As always, the iron rule of budgets applies; each and every dollar can be spent only once.

Mark Thomson is a senior analyst at the Australian Strategic Policy Institute. These are his own views. According to the Parliamentary Library, the last time the defence budget was at 2 per cent of GDP was in June 1995. Last financial year it was about 1.8 per cent, or about \$30bn.

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**More than \$1 trillion, but why put a figure on it?**