

TRANS TASMAN DEFENCE: WHY THE DIFFERENCES?

PRESENTATION TO THE UNITED SERVICE INSTITUTION OF ACT

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Introduction

For the first time, at least since the end of World War II, a New Zealand Government has addressed the fundamental question: *What sort of Defence Force will we need in the future?* and has set out the structure of the country's defence force accordingly. The extent of the re-orientation is profound. The 'balanced force' concept followed by successive governments has been discarded in favour of depth not breadth. The NZDF's core requirement is now to have well-equipped, combat-trained land forces, supported by the Navy and the Air Force. The Navy is to consist of two ANZAC frigates, a multi-role tactical sea-lift vessel with long distance and Southern Ocean capabilities, plus new patrol vessels to meet inshore and offshore requirements for maritime surface surveillance in New Zealand's EEZ and in the South Pacific. The RNZAF's conventional air combat capability has been disbanded.

These policy changes were said by the Government¹ to have been guided by the 1999 Foreign Affairs, Defence and Trade Select Committee Report, *Defence Beyond 2000* and two other papers developed to complement it: the External Assessments Bureau's *Strategic Assessment 2000* and the June 2000 report by the Ministry of Foreign Affairs and Trade titled *New Zealand's Foreign and Security Policy Challenges*.

The reaction to the announced changes has been varied even from the same people. For example Hugh White, in a speech to the Otago Foreign Policy School in 2001, said that 'At last it's official. Australia and New Zealand are going separate ways on strategic policy. ... Australians can stop worrying about New Zealand getting a free ride. The fact is that most New Zealanders do not want to be on our bus'.² Later in the same speech — after he had summarised the key directions of the new New Zealand policy, he said that 'Viewed in that light, the decision to focus New Zealand's effort on maintaining capable land forces designed for peacekeeping operations makes a lot of sense'.

Issues to be addressed

I'm going to start by discussing some existing differences between Australia and New Zealand, which I believe have influenced the direction of each country's defence policy. Next, I will use some specific events that occurred from the mid 1980s through to the present time to illustrate why a trans Tasman defence policy divergence was effectively guaranteed. I conclude with some comments on how Australia and New Zealand might improve their defence relationship in the interests of enhancing regional security.

¹ *The Government's Defence Policy Framework*, Cabinet Paper CAB (00) 314, June 2000 p. 1.

² Hugh White, 'Living Without Allusions: Where Our Defence Relationship Goes From Here', (paper presented at the Otago Foreign Policy School, New Zealand, June-July 2001).

Differences

Location is one difference. Although both countries are physically in the same part of the world, Australia is on the doorstep of Asia, and by implication is dramatically interested in and influenced by what happens there. In contrast, New Zealand is a much more remote South Pacific nation. A combination of remoteness, size and economic interdependence with other nations means that New Zealand has a wide range of interests to pursue in its participation in international affairs and consequentially substantial challenges in trying to pursue all of them simultaneously.

Size is another. This impacts on each country's aspirations and how they seek to achieve them. Australia has much more capacity than New Zealand to influence regional decision-makers through its power or potential to project power. In contrast, New Zealand has to rely more on diplomacy, security relationships and processes.

A third difference is *identity*. Australia established its national identity a long time ago. In defence terms, its priorities until recently were its mainland and immediate neighbourhood. It purports to structure its defence force accordingly. Recently, there has been more recognition of the risks and difficulties in grappling with terrorism and its economic effects; the need to respond to increasing demands for help in distant coalitions; and the potential for substantially more involvement than previously, closer to home. In contrast, New Zealand's evolving defence policy is more about that country's search for who it is, how it sees its place in the world, and what it wants to become as a nation. It also reflects New Zealand's attempts to develop a more independent stance internationally. The Lange Government's anti-nuclear policies of the mid-to-late 1980s, and the Clark Administration's new defence direction following the 1999 election, can all be seen as part of this evolutionary process.

A fourth difference concerns each country's *attitude to the US alliance*. While the current Australian Government has recently been establishing increasingly closer ties with the United States, New Zealand's more independent stance has resulted in big changes in its defence relationship not just with America, but also with Australia.

A fifth difference is a subset of the fourth, and involves each country's *attitude to multilateralism*, and as a consequence, towards the nature of intervention in the affairs of other sovereign states. The 2003 invasion of Iraq illustrates this.

A sixth major difference is *threat perception*, its impact on defence spending and as a consequence, on defence policy. In contrast with Australian's so-called 'unique strategic culture',³ New Zealanders increasingly see the world in quite different ways from their cousins across the Tasman. This is despite recent unrest in places like Bougainville, East Timor and the Solomons, and the existence of other regional hot-spots; and the heightened awareness — as a result of the Bali bombings — that their interests and citizens are not immune from such attacks.

³ Hugh White, 'Australian Defence Policy and the Possibility of War', *Australian Journal of International Affairs*, (Volume 56, No. 2, 1 July 2002), p. 257.

Specific Event

The 1984-1990 New Zealand Labour Government

Three major events occurred during this period that had a dramatic effect on the direction of New Zealand's defence policy.

The first was the ANZUS security alliance stand-off between New Zealand and the United States. This arose because of a clash between the US and the Lange Government over the latter's anti-nuclear weapons and propulsion policy and its pre-election commitment to renegotiate the alliance with its other two treaty partners. The hope was that a new arrangement would provide for co-operation on economic, cultural and political issues, reducing the importance of the military side of the relationship.⁴ The US would have none of this, and requested continued access for its ships to New Zealand ports. Although it was prepared to give private assurances that none of its ships coming to New Zealand would be carrying nuclear weapons, it was not prepared to publicly depart from its policy of 'neither confirm nor deny'. To cut a long story short, because Labour's anti-nuclear policy had by this time become an 'article of faith' — and had substantial support within the wider New Zealand community — neither side was prepared to give way. As a result, New Zealand was effectively excluded from the alliance and lost much of its former access to US intelligence and military contacts.

One of the flow-on effects was the establishment of a new trans Tasman defence relationship. This was the second major event that influenced the direction of trans Tasman defence policy.

The Australian rationale for entering into the new relationship was its belief:

that by doing so, it would encourage New Zealand to remain an active and capable supporter of regional security, and reduce the risk that New Zealand's nuclear policy revolution would spread to its wider defence and regional strategic policies. Canberra believed that such developments would have been against Australia's interests, because Australia valued the potential military value of New Zealand's forces in any regional conflict, and did not want New Zealand to promote divergent views on security issues in [its] region.⁵

Although there was strong support for this new relationship amongst New Zealand's military, some New Zealand politicians had underlying concerns. These were basically in two areas. First, that Australia's apparent unswerving support for the US could 'coat-tail' New Zealand into situations that were not perceived to be in its national interest. Secondly, that Australia might attempt to mould New Zealand defence policy and force capabilities to satisfy its own ends.

New Zealand always knew that there would be a price to pay for the new relationship, but still wanted to preserve its own independence. Two examples illustrate the dilemma it faced. During the course of the Strategos Review of Defence⁶ — which I chaired for the Lange

⁴ David Lange, *Nuclear Free - The New Zealand Way*, (Penguin Books (NZ) Ltd, Auckland, 1990), p. 35.

⁵ Hugh White, *Living Without Illusions: Where Our Defence Relationship Goes From Here*, (paper presented at the Otago Foreign Policy School, New Zealand, June-July 2001, subsequently published in Canberra, June-July 2002), p. 1.

⁶ Strategos Consulting Limited, *New Zealand Defence Resource Management Review 1988*, (Government Printer, Wellington, New Zealand, 1989).

Government — we had considerable contact with the Australian defence establishment. One of the people we met was Paul Dibb. Because he had views on the civilian/military relationship that we were interested in, we invited him to Wellington. Government politicians heard about this and I was summonsed to the Beehive to meet with the Prime Minister.

As I had complete authority within my terms of reference to speak to and employ whom-so-ever I chose, and a budget to match, my fall-back position with the Prime Minister — if it became necessary — was that Dibb was going to come regardless of what the politicians thought. Lange's opening remark was 'I hear Paul Dibb is coming over'. I said yes, and told him why. That was the end of the matter. The incident however provides an insight into two things: the level of political concern that New Zealand shouldn't get too close to Australia militarily; and secondly, Lange's nature. He had obviously been pressured by some of his colleagues to question me very closely on what was going on and to give me a lecture on independence and sovereignty. However, because he hated confrontation, all he wanted to do was to be able to say 'Yes, I've had a chat to him about it and it's okay'.

The second example concerns the ANZAC ship project. During our meetings with Australian officials, it was made clear that New Zealand's participation in this project was seen 'as a litmus test of New Zealand's commitment to the trans Tasman defence relationship'.⁷ Although virtually all tariffs and quantitative restrictions on goods moving between Australia and New Zealand were to be removed by 1 July 1990, the original Closer Economic Relations Agreement (CER) contains a restraint of trade provision to protect essential security interests. At the time, this provision was being used to exclude New Zealand from access to most Australian defence contracts. However, if it were waived, New Zealand businesses would be able to compete for Australian contracts as if they were Australian. The response from Tony Ayers — the then Australian Secretary for Defence — when pushed on the issue, was 'If New Zealand isn't participating in the ANZAC ship project, it won't even get the contract for the tea urns'.⁸

Light-hearted comments like that aside, the issues involved ran deep and were fundamental. Non-participation by New Zealand in the ANZAC ship project would be regarded as raising questions not only about New Zealand's defence credibility, but also about the New Zealand Government's commitment to closer relations with Australia generally. The Strategos Report describes it this way:

Failure to purchase the frigates will be interpreted by the Australians as an unwillingness on New Zealand's part to play a credible role as a defence partner in the region and a signal that we are in the process of withdrawal from the "community of friends". It will also be interpreted as a clear sign that we are not prepared to recognise that Australia is itself prepared to pay a substantial price in monetary and in non-monetary terms to ensure that New Zealand remains a credible partner. The "price" which Australia is prepared to pay has already been extended to a commitment that New Zealand will not find comparable ships that cost less from other sources.⁹

The third event was the Strategos Defence Review. The Lange Government's stand-off with the US over ANZUS was not the only crisis it had to deal with. Immediately after its election

⁷ Strategos Consulting Limited, *New Zealand Defence Resource Management Review 1988*, p. 234.

⁸ Comment by the Australian Secretary of Defence at a meeting with the Review Team in Wellington in 1988.

⁹ *New Zealand Defence Resource Management Review 1988, 1989*, pp. 234-235.

victory, it was faced with an economy in such a state of decline that (amongst other things) the country almost ran out of sufficient foreign exchange to pay for necessary imports. Productivity had also declined dramatically, with probably the biggest fall in the public sector which by the mid 1980s accounted for 24 per cent of all activity and consumed 29 per cent of all investments, excluding income transfers from one part of the community to another. Government trading entities alone were responsible for 12 per cent of GNP, but cumulatively produced a nil profit. Not surprisingly, the incoming government was forced to take radical action which resulted in a series of sweeping reforms, including major changes to public sector management and accountability.

State Sector Reform Principles

The task undertaken by the Strategos team was not a traditional defence review. During the Government's general programme of state sector reform some universal principles had emerged. These represented the starting point for the review and their application underpinned its wider analysis. They also provided a major point of difference between it and the Australian Dibb Report. In addition, the Strategos terms of reference were substantially more extensive than Dibb's and eventually were 'as wide as necessary to achieve [the review's] objectives'.¹⁰ This meant that nothing was sacrosanct including areas like defence policy, force structure, and command and control, in addition to the usual resource management activities.

There were five universal principles. The first was that policy and advisory roles ought to be separate from the administration and operational aspects of each department. In the context of defence, this means that the military view has to be continually tested in the light of wider government objectives and that the policy debate ought to be conducted within a framework that avoids the risk of capture by either military or civilian views.

The second principle was that objectives ought to be stated in such a way that all parties involved in the provision of public goods and services are absolutely clear as to their roles. This requires clear definition of roles and division of responsibilities between each functional part of the agency, between commercial and non-commercial activities, between civilian and military advice, and between policy and management.

The third principle was that accountability should be maximised. This derives from the process of clarifying objectives. For defence it means:

Leaving military operations to the military, subject to the control of the Minister to meet the constitutional requirement for the subordination of the nation's military forces to the authority of Parliament, and making them fully accountable for those activities;

Defining military outputs, ie the provision of operationally capable forces;

Making policy advisors responsible for policy so that there is no confusion between it and the military or commercial functions;

Applying business criteria to the assessment of the performance of those responsible for commercial functions.

¹⁰ Strategos Consulting Limited, *New Zealand Defence Resource Management Review 1988*, (Government Printer, Wellington, New Zealand, 1989), p. 28.

The fourth principle was that there should be competitive neutrality in order to minimise costs and provide the appropriate set of incentives and sanctions to enhance efficiency. From the viewpoint of the defence system, it entails placing as much of Supply as possible on a commercial basis.

The fifth principle was that managers ought to be allowed to manage. In the context of defence, this meant that once clear objectives and accountability mechanisms are in place, military personnel should be given management responsibility.

In an assessment of resource management — which is what the Strategos review of defence was fundamentally about — two early conclusions were that defence officials were acting within a set of constraints and structures that did not define their tasks properly or give them enough management autonomy; and that they had this in common with much of the New Zealand state sector. A central requirement of the review was therefore to isolate those issues unique to defence rather than as a consequence of common state sector problems. The Review Team's conclusion was that a marriage of state sector reform principles and defence needs was the most practical way of achieving the desired outcome, but that the existing defence structure was incapable of performing the functions required of it. Substantial changes were therefore needed. These included the reorganisation of Defence Headquarters; decision-making being based on defence-wide rather than single Service thinking; rationalisation of locations; the introduction of proper financial management information systems; and imbuing the whole defence system with an understanding that cost is not just a function of the purchase price of goods, but that labour, existing goods, land, buildings and money all carry a cost.

The issue was how and by whom these functions should be performed. The answer was in part provided by the State Sector Act 1988 and the Finance Act 1989. These Acts embodied the Lange Government's determination to inject greater managerial discretion and accountability into the public sector and brought about several key changes in the way departments and public sector agencies had to operate.¹¹

From Adoption to Implementation

The Government adopted virtually all of the Report's key recommendations including the reorganisation of the defence central structure into two separate organisations; the abolition of the Defence Council; the production of an Annual Defence Assessment; the prioritisation of defence capabilities; and the purchase of two ANZAC ships with an option to purchase a further two; and instructed the Secretary of Defence and the CDS to implement administratively those reforms which did not require legislation. Once amending legislation was before parliament, the Secretary and the CDS were also instructed to separate administratively the existing Ministry of Defence to the extent legally possible. A Bill to replace the Defence Act 1971 was introduced in Parliament on 17 October 1989 and, as from 1 November 1989, the new Ministry of Defence and the NZDF started to operate as separate entities. The Defence Act 1990 came into force on 1 April 1990.

Two particular features of the Defence Act 1990 differentiate New Zealand Defence from the situation in Australia and in most of the Western World. They are the split of defence into two separate legal entities (the New Zealand Defence Force and the Ministry of Defence) and

¹¹ Anna Smith, *Guns and Gold*, (Victoria University of Wellington through Victoria Link Ltd, 1999), pp. 4-5.

the devolution of resource management and delivery responsibility to the CDF (as the position is now described since the passing of the 1990 Act).

With its organisational split, New Zealand became ‘the only country on the world with two defence departments – one to reflect and one to fight’.¹² The approach adopted was different in some respects from that within the rest of the New Zealand public sector. While other departments had also been split along policy and operational lines, these two functions were generally kept within one agency, or else the policy function remained within the government sector and the operational activities were set up in some kind of Crown Entity.¹³ The issues the Strategos Team faced were however not as straightforward as they were with other government departments. It was necessary to marry defence’s special characteristics with the output-based management and delivery systems which, by the time of the Review was completed, had become a fundamental part of New Zealand’s moves to reform its public sector. These systems are designed to align resource management authority with the people responsible and accountable for the delivery of goods and services. Although many other countries have now moved to adopt these principles, during the mid to late 1980s New Zealand was unique in this regard.

For a variety of reasons, the early years of the organisational split were fraught with problems. Some were a result of personality clashes between senior civilians in the Ministry and their counterparts in the NZDF. Others were a result of misunderstandings about how some of the Strategos recommendations needed to be implemented. There was also an unquestionable reluctance amongst some of the military to embrace further changes emanating from a Government whose anti-nuclear policies had already been responsible for the loss of substantial contact with the US military. Most of the problems were gradually overcome over time, and in particular as the result of the appointment of the experienced and highly respected Gerald Hensley as Secretary of Defence in September 1991. In his view, the way in which the two organisations were set up in 1989 was a costly mistake that took up to five years [without legislative change] to mend.

What we have done [now] is to informally put the two organisations back together but with one big difference. The accountabilities are spelt out and it is quite clear who is responsible for what. There is no question of any kind of jointness or vagueness.¹⁴

The views of one senior Army officer on the impact of the Strategos Review are probably reflective of the opinions of most of his contemporaries when he said to me at a Defence, Foreign Affairs and Trade Select Committee hearing in 1998: ‘Sir, you put us through absolute hell; we needed it; and we are the better for it’. The same officer subsequently referred to the review was a catalyst.

It was sufficiently right to be scary. Where it was wrong there was no real way to challenge and the legacy remains with us. The catalyst feature was however very important. Some of the officer corps retreated behind traditional outrage. Others saw inevitability or even potential. It split the officer corps. ... The ‘business’ demands of running a modern [force] under the regime that was

¹² Gerald Hensley (former Secretary of Defence) ‘Reflecting on the Fourth Labour Government’, *New Zealand Herald*, 14 December 2004. [accessed 14 December 2004 at <http://www.nzherald.co.nz/index.cfm?ObjectID=3563688>]

¹³ Anna Smith, *Guns and Gold*, (Victoria University of Wellington through Victoria Link Ltd, 1999), p. 9.

¹⁴ Anna Smith, *Guns and Gold*, (Victoria University of Wellington through Victoria Link Ltd, 1999), p. 12.

advocated was something that many officers didn't want to be part of and they left. ... The Review did however cause the Services to study their own entrails with a thoroughness that had not been seen for half a century. ... In itself, this was a good thing. ... The Review team's view of the Services from without, challenged the Services own view of themselves.¹⁵

A Postscript on the Organisational Split

The Clark Government, following a comprehensive review, has now reassessed the accountabilities and structural arrangements of the Ministry and the NZDF.¹⁶ The split has been retained, subject (amongst other things) to a clearer definition of the sole, prime and shared accountabilities of the chief executives of each organisation.

Defence Policy Objectives

In terms of defence objectives, the Strategos Review's conclusions were that the defence of New Zealand's sovereignty was dependent on meeting two fundamental objectives: the security of the South Pacific, and defence co-operation with Australia. Other objectives were seen as mainly flowing from these two central and partially interlocking themes. A flow-on from this was that the Review Team went further than the 1987 New Zealand Defence White Paper in acknowledging the importance of the trans Tasman defence relationship. It adopted this stance for a number of reasons. One is that Australia's defence capabilities are a crucial part of New Zealand's security and are closely interwoven with its commitment to the South Pacific. Another is that, given the nature of its resources, New Zealand is unlikely to be able to do a great deal in the region without Australian support and, preferably, assistance. A third reason is that the imperative of keeping Australia interested in and concerned with New Zealand security has far-reaching implications for the latter's force structure, equipment and training.

The Review Team therefore argued that a prime objective of New Zealand's foreign and defence policy should be to ensure that Australia remains interest in New Zealand and the trans Tasman security relationship. This is as important today as it was in the late 1980s, but does not mean that New Zealand should or need become dependent on Australia as a substitute for a broader alliance, as this would be inconsistent with an independent foreign policy stance. What it does mean is that, for as long as each country perceives it has an overlapping area of direct strategic interest, it should take the other country's priorities into account and seek to maximise the ability of both to operate together effectively. There is still some reluctance to accept this on both sides of the Tasman.

The 1990-1999 National Party and National/Coalition Governments

The second timeframe covers events during National Government's time back in office from 1990 to 1999. This period accentuated the differences between Australian and New Zealand defence policy, but also marked the introduction — and upgrading — of the Closer Defence Relations Agreement which is designed to enhance trans Tasman cooperative defence activities.

¹⁵ Email to the author dated 27 July 2004.

¹⁶ D K Hunn's, *Review of Accountabilities and Structural Arrangements between the Ministry of Defence and the New Zealand Defence Force*, 30 September 2002.

National opts for anti-nuclearism

The first event that cemented an existing difference concerned the National Party's stance on Labour's anti-nuclear policy. The Party's 1987 election manifesto commitment was specific, and contained an undertaking to 'repeal those sections of the Nuclear Free Zone, Disarmament and Arms Control Act which prevent New Zealand participating in collective efforts to make the world and our region safer and more secure'.¹⁷ Labour won the 1987 election with an increased majority but, as the 1990 election approached, it appeared to have lost a lot of its electoral support because of public infighting between some of its senior MPs.

National concluded that the only thing that might stop it being re-elected was its continuing opposition to Labour's anti-nuclear policy. The response of the party caucus in March 1990 was therefore that it was easier — and more politically advantageous — to change its policy rather than to continue to argue the merits of its earlier one. Partly as a result of this change, in October 1990 National won the biggest electoral victory in New Zealand's history. The policy about-face however had a disastrous impact on US/New Zealand defence relations in two respects. First, it confirmed in the eyes of some senior Americans that New Zealand was still an unreliable ally; and secondly it guaranteed the continuation of many elements that had flowed from the original ANZUS stand-off. Admiral Crowe, CINCPAC from 1983 to 1985 summed it up this way:

We were always assured that when the Government changed again, the policy would be reversed and it wasn't ... the new Government didn't reverse. That didn't surprise me in the least; I never thought it would.¹⁸

In an attempt to build public support for the repeal of the anti-nuclear propulsion provisions of the legislation, the National Government formed a high powered Special Committee on Nuclear Propulsion in 1991 to examine the safety aspects of the operation of nuclear-powered ships and the risks that they might present to the public by visits to New Zealand ports. The Committee's key conclusion was that:

The presence in New Zealand ports of nuclear-powered vessels of the navies of the United States and the United Kingdom would be safe. The likelihood of any damaging emission or discharge of radio active material from nuclear-powered vessels if in New Zealand ports is so remote that it can not give rise to any rational apprehension.

It also noted that there was a serious lack of understanding and knowledge, and much misinformation, in the minds of the public concerning safety and technical issues related to nuclear-powered vessels. Despite this and the Committee's conclusions, 'poll politics' again prevailed and the Government failed to amend the propulsion provisions of the anti-nuclear legislation. As a result, the Act and many aspects of the initial 1980s stand-off are still in force today.

Defence funding cuts

The second thing National did — which was a marked departure from the Australian approach — was to cut the defence budget substantially. The cumulative effect was a 19% decline in real terms in Vote: Defence from 1990 to 1998. This paved the way for an effective halving

¹⁷ "The way ahead: NATIONAL'S DEFENCE POLICY", July 1987.

¹⁸ Admiral Crowe, interviewed by Michael Bassett in Washington D.C. on 5 December 2002.

of New Zealand's defence spending as a percentage of GDP from around 2.2 per cent in the mid to late 1980s to around 1.1 per cent today.¹⁹ Australia's comparable figures are around 2.5 percent and 1.8 percent.

The new government also published a Defence Assessment in 1991²⁰ as 'an early statement on the direction in which New Zealand's policy will move'; and, to 'bring New Zealand back to its correct place in the international community'.²¹ This document benefited from Hensley's leadership and has been described as 'perhaps the most comprehensive [defence] statement over this period ... that made a number of early and insightful assessments of what would be distinctive about the post Cold War world ... the centrality of continued US engagements to the security and stability of East Asia; [that the US] would press harder for allies and friends to share this burden; and that the threat and use of force would be a continuing reality'.²²

Unlike the 1987 White Paper — which in the aftermath of the ANZUS split had focused on the South Pacific and was consequently perceived by a number of commentators as 'inward looking and not adequately supportive of New Zealand's compelling security interests further afield'²³ — the 1991 Assessment was much more outward looking. It strongly reaffirmed New Zealand's dependence on a stable and secure Asia Pacific region and the importance of being able to make a credible contribution to deterring and, if required, assisting in defeating challenges to regional stability. These policy imperatives were presented as a 'significant determinant of force structure' and as a reconfirmation of the need for a range of military capabilities across all three Services.

The 1991 Paper also dealt openly, as it was bound to, with the costs and constraints of the anti-nuclear legislation, and records that they had to be taken into account in defence planning. The policy was said to have 'reduced both the amount and the quality of information used in New Zealand's own assessments'; and that

In the view of our ANZUS partners full membership is not consistent with our anti-nuclear legislation. This effectively decouples New Zealand from the western alliance. ... The difficulty [of working with Australia and the US] is lessened if we define our defence interests as purely South Pacific ones, though even then the diminishing professionalism of our forces may encourage Forum countries to look more to Australia for their security assistance. But the problem is much greater if we prefer a national strategy which aims to support distant as well as regional interests. ... But under our present policies, and those which have been adopted by Australia and the US as a consequence, full cooperation with our closest friends must be accepted as unattainable.²⁴

The policy response was to adopt a strategy designed to achieve two objectives: 'self-reliance in partnership' and a 'minimum credible defence force'. The difficulty with this approach is illustrated in the following extract from the 1991 Assessment:

¹⁹ Defence expenditure figures from *The Military Balance, 2003-2004* (The International Institute for Strategic Studies, Oxford University Press, 2004), p. 337.

²⁰ *The Defence of New Zealand 1991 A Policy Paper*.

²¹ Rt Hon J B Bolger, Prime Minister, *Preface, The Defence of New Zealand 1991 A Policy Paper*, p. 5.

²² Ron Huiskens, *Moving Together or Drifting Apart*, (Dark Horse Publishing Limited, Wellington, 2002), p. 170.

²³ Huiskens, *Moving Together or Drifting Apart*, p. 171.

²⁴ *The Defence of New Zealand 1991 A Policy Paper*.

All consideration of a defence strategy for New Zealand has always had to fuse two fundamental requirements: the wide geographic spread of our interests compared with our small population and fiscal base. If the direct defence of our territory is seen as a low priority, by both planners and public alike, thinking must start from an indirect strategy, the defence of our interests abroad. Regrettably, there is no neat logic to defending these. National fiscal realities determine the level of support for these as for other elements of our external policy, such as our diplomatic establishment or foreign aid. Hence the requirement may be defined as a credible minimum defence force. Minimum because it must be sustainable through our present economic circumstances. Credible because even at minimum level it must be seen to be capable of meeting the essential aims defined by successive governments. This credibility must be accepted not only by the New Zealand public who pay for it, but also by our friends and allies whom we expect to respond to it, and by those other forces who must take our modest resources into account. Unless our fiscal minimum is credible, we have wasted much of our defence investment.²⁵

In the end, despite the stated intentions of the 1991 White Paper, the Government was still not able to establish a clear support base within the New Zealand electorate for more money for defence or support for a particular set of military capabilities. As a result, and in the face of continuing cuts in defence spending, the CDF and the Secretary of Defence reported to the Government in March 1996 that expenditure on New Zealand's current defence could not be sustained. Either a review of funding or significant cuts to military capability were required. Doing nothing was not an option, they informed the Government. This advice formed the basis for the subsequent Defence Assessment and White Paper.

Following the 1996 election which was conducted on the Mixed Member Proportional system, the National Party had formed a coalition government with the New Zealand First Party. Part of the price of the Coalition Agreement was an increase in social spending. The new government also produced a further Defence White Paper²⁶ preceded by a Defence Assessment (DA97). Its overall theme was 'continuity and reconfirmation' and its conclusion was that existing defence policy and the NZDF's existing structural framework was appropriate.

Funding was highlighted as the central issue, with the NZDF already beginning to experience difficulty in maintaining its credibility as a valued partner in the face of ongoing cuts to its budget. DA97 was therefore designed to build the case for more money for defence. To do this six options were developed based on an approach designed to identify essential and variable NZDF force structure elements, with the variables recorded as:

- The size of the naval combat force, with variations based on two, three and four frigates;
- The continuation or elimination of the air combat capability;
- The number and size of the regular force infantry battalions; and
- Some variation to the size of the airlift and utility helicopter fleet.

²⁵ *The Defence of New Zealand 1991 A Policy Paper*, p. 52.

²⁶ *The Shape of New Zealand's Defence: A White Paper*, Wellington, 1997.

The Government's decision on these options was significant in two particular respects. First, it represented a policy change by reducing the Naval Combat Force from four to three frigates and was final confirmation that the option — negotiated by the Lange Government — to purchase two additional ANZAC frigates from Australia was finally at an end. Secondly, it confirmed the continuing existence of the air combat capability.

By 1998 it had again become apparent that the defence funding regime was inadequate, and that further capital injections were required beyond the levels forecast in 1997. Defence's difficulties were compounded by a decline in the value of the New Zealand dollar and by Government instructions that the NZDF was to remain within 1997 funding guidelines. The result was a reprioritisation of all projects in November 1998. In a change from the DA97 list of priorities, combat aircraft and a third frigate were accorded Priority 1 status. A Cabinet decision on 30 November provided the answer for these changes. The RNZAF was to acquire 28 near new F-16 aircraft from the US; but the Navy missed out on its bid for a third ANZAC frigate. In a demonstration of fiscal unreality, the Cabinet also agreed to maintain the funding envelope set out in the 1997 Defence White Paper.

These decisions had wide-ranging political implications and demonstrated to the non-government parties in Parliament that — contrary to the Prime Minister's statements in the Foreword to the White Paper — his Government was still not committed to developing 'investment proposals that matched fiscal realities' or to a structural framework for defence that 'would be supportable by successive governments over the longer term'. They ultimately also had major implications for trans Tasman defence relations and for the direction of New Zealand defence policy.

A substantial increase in Deployments

The third thing the Government did during its period in office — which again set New Zealand apart from Australia — was to embark on a programme, at the instigation of Foreign Minister Don McKinnon, 'to 're-earn [NZ's] stripes' internationally.²⁷ The objective in McKinnon's words was to 'dispel some of the unfavourable odour that prevailed amongst the armed forces from the Vietnam War through to the nuclear issue' and to provide the substantial number of senior officers who had never fired a shot in anger with some real-world military experience. The result was that NZDF troops and specialist de-miners were sent to places like Bosnia, Bougainville, Cambodia, Croatia, Haiti, Kuwait, Laos, Mozambique, Pakistan, Rwanda, Somalia and the Gulf.

The intention was commendable but — because of the rundown in defence finances — the equipment was often inadequate. Bosnia for instance was:

A very rude shock. We learned quickly, or had it affirmed that the world had changed post the Cold War and that the Army's kit was time-expired junk. The Army was having to take unacceptable risks with its ill-equipped people. We also learnt that nobody seemed to want to know.²⁸

McKinnon describes in graphic terms the difficulties in dealing with successive Ministers of Finance in a situation — unlike that in Australia — where there was no strong constituency in the Cabinet in support of defence.

²⁷ Letter from Don McKinnon to the author dated 9 February 2000.

²⁸ Email to the author from a former senior Army Officer, 27 July 2004.

Ruth Richardson had taken over the Treasury portfolio and was antagonistic towards defence chiefs who she felt were just mouthing the same issues and policies which they had been for twenty years. She saw no sophistication in the way defence had changed over the years and took some persuading that on issues like peacekeeping you need first of all highly trained soldiers and then you train them even better to be peacekeepers. You were not looking for low-cost pot-smoking bearded peaceniks waving a banner labelled 'peace'. There was ... no real recognition of just how expensive military equipment was and how it played a part that really caused us to pull away from many things that we probably could have managed a whole lot better. ... When Bill Birch got to be the Treasurer it was even worse ... [and] became even more embarrassing as we moved into the Bougainville issue.²⁹

McKinnon also describes the impact of financial pressure on New Zealand's involvement in the Truce Monitoring Team in Bougainville — which included many Australians but where New Zealand held the authority — following the successful 'Burnham' conference where the warring parties were brought together in peace talks.

But the pressure from the Treasury was immense and relentless. It was easier to deal with the B.R.A. than barely out of school treasury officials. New Zealand could have had the whole Bougainville mission to itself for the total period even up to the present day. And with the Australians ultimately very busy in East Timor it would have fitted. But the view was 'look we have got all the credit we can out of Bougainville; we can now give it away to the Australians'. That annoyed me more than anything, because up until then we were clearly in the driving seat; we were achieving; we had peace; we had results that were appreciated by the Bougainvilleans. We did not really need to give it away to the Australians. As it was, that was when the complaints started coming in.

What in fact kept the NZDF going in all of these deployments was its ingrained professionalism; a substantial degree of luck; and the very substantial improvements in efficiency and effectiveness that flowed from a number of reforming initiatives. Anna Smith sums up the latter aspect in her 1999 publication *Guns and Gold*:

There is little doubt that the management reforms of the past decade have produced a Defence Force that is financially more efficient and effective and better able to define and pursue its core business. It is also clear that, by using financial management tools offered by the reforms, the NZDF has been able to absorb probably the biggest funding cuts to any government department — 19 per cent in real terms between 1990 and 1998 — while maintaining its military capabilities.³⁰

The Defence Beyond 2000 Report

It was against the background to the Government's attempts to overcome the NZDF's loss of contact with the US military; the new defence relationship with Australia; CDR; the improvements that flowed from defence resource management reforms; deep defence funding cuts; a substantial increase in deployments; and the Government's failure to adhere to the

²⁹ Email to the author from Don McKinnon, 27 July 2004.

³⁰ Anna Smith, *Guns and Gold*, (Victoria University of Wellington through Victoria Link Ltd, 1999), pp. 36-36.

priorities it had established for defence in DA97, that the Foreign Affairs, Defence and Trade Select Committee of the New Zealand House of Representatives commenced its *Defence Beyond 2000 Inquiry* (DB2000) in 1997.

The Committee acknowledged the importance of the region to New Zealand in a variety of ways and that a breakdown of security in Southeast Asia would impact directly on the country's economic well-being. It however also noted that broadly based international consensus on, and commitment to, the use of armed force were now important factors. In view of this, while not excluding the possibility of participation on one side or another in any military conflict in the region (as opposed to a peacekeeping or peacemaking situation), the Majority of the Committee were of the view 'that New Zealand is not well placed to contemplate taking sides in any of the larger conflicts that could break out in Asia'.³¹

Apart from the material gathered together in its two earlier Inquiries: *New Zealand's Place in the World*, and *New Zealand's Role in Asia/Pacific Security*, the Select Committee started with a blank piece of paper and consulted widely within and outside the traditional 'Defence Establishment'. At the time, this was a major break with tradition in New Zealand and resulted in the Government commenting in its *Response to the Committee's Interim Report*, that: 'We are not accustomed to debate these issues'.³² Unfortunately, neither the debate nor the consultative process went far enough, as the Committee's access to other than the most senior defence personnel was eventually severely constrained by political directive.

The Committee was unanimous about the urgent need to upgrade the Army and that the Government's proposed timetable to upgrade it — with its focus on 'the Army after next', ie by 2015 — was completely unacceptable. The rationale for this was simple. In a report made available to the Committee,³³ it was recorded that at the time of the [first] Gulf War, and in that setting, 'the New Zealand Army was incapable of being allocated any task more arduous or complex than, say, a static garrison or prisoner of war handling function'.

Clearly, the two DB2000 reports challenged traditional thinking and were the catalyst for a different approach to defence by the Helen Clark Coalition Government after the 1999 election. They also represented a substantial degree of cross party support as Arthur Grimes and James Rolfe confirm in their 1999 paper prepared for the New Zealand Treasury:

A careful reading of the Select Committee's reports and the Government's response could safely lead the reasonable reader to conclude that there is little difference between the positions held by the two parties than much of the commentary makes out. Both the Government and the Select Committee accept the need for effective armed forces able to play a role in the international arena. ... This means that the differences are probably as much of rhetoric rather than of substance and that the short term size and shape of the armed forces will depend as much on funding as on political decisions'.³⁴

³¹ *Inquiry Into Defence Beyond 2000*, Report of the Foreign Affairs, Defence and Trade Committee, New Zealand House of Representatives, 1999, p. 27.

³² *Government Response to the Committee's Interim Report*, New Zealand House of Representatives, 1998, p. 2.

³³ ARMY 2005 – A FORCE OF UTILITY: REFOCUSING THE ARMY, Army General Staff, October 1998, p. 12, referred to in the *Inquiry into Defence Beyond 2000: Report of the Foreign Affairs, Defence and Trade Committee*, New Zealand House of Representatives, 1999, p. 89.

³⁴ A Grimes & J Rolfe, *Defence Objectives and Funding*, (paper prepared for the New Zealand Treasury, Institute of Policy Studies, Victoria University of Wellington, 2000), p. 28.

The Committee's major criticism of defence policy was that the limited resources of the NZDF were spread too thinly and needed to be concentrated on a different range of affordable and sustainable capabilities. To make the NZDF a more effective instrument for promoting the national interest, and taking into account the strategic assessment, the Interim Report listed the following ranking of military capabilities, in order of priority:

- Land forces
- Fixed wing, rotary wing and maritime transport forces
- Maritime patrol forces (Naval and Air Force)
- Air strike.³⁵

On air strike, while it acknowledged that there were 'national interest arguments in favour of retaining an air combat force',³⁶ the Committee unanimously recommended that its future be considered in terms of two options:

either to disband the jet training and strike capability, on purely financial grounds, or to replace the current A4s with more modern combat aircraft on the basis of their capacity to contribute to the advancement of the country's national interest considered alongside competing [defence] expenditure priorities.³⁷

The 1999-2005 Clark Governments

Several key decisions during the Clark Government's period in office have accentuated the differences between Australian and New Zealand defence policy. The first was its decision on the F-16 Review.

The F-16 Review

Prior to, and during the 1999 election campaign, the Labour Party leader and subsequent Prime Minister, the Right Hon. Helen Clark, foreshadowed substantial changes to defence — if her party were elected — and in particular, a review of the contract between the National Party Coalition Government and the United States for the RNZAF to acquire 28 F-16A/B aircraft.

Following the change of government, on 17 December 1999 the Cabinet approved an independent review of the F-16 project.³⁸ The expectation was that the Review would recommend cancellation of the contract 'if the cost is not too high'.³⁹ This was consistent with the Prime Minister's publicly expressed view in December 1998, when she was Leader of the Opposition, that: 'The whole thinking and strategy behind [acquiring F-16s] is

³⁵ Interim Report of the Foreign Affairs, Defence and Trade Committee's Inquiry into Defence Beyond 2000, New Zealand Parliament, 1998, p. 5.

³⁶ Interim Report of the Foreign Affairs, Defence and Trade Committee's Inquiry into Defence Beyond 2000, New Zealand Parliament, 1998, p. 26.

³⁷ Interim Report of the Foreign Affairs, Defence and Trade Committee's Inquiry into Defence Beyond 2000, New Zealand Parliament, 1998, p. 57.

³⁸ Quigley, *Review of the lease of the F-16 aircraft for the Royal New Zealand Air Force*, p. 1.

³⁹ Discussion between the Review Chair and the Prime Minister Elect at her Auckland residence on 5 December 1999.

warped'.⁴⁰ However, in response to further questioning by the author on the meaning of the word 'cost', this was clarified as also including non-financial considerations. The terms of reference for the Review were consequently drawn up to include this wider definition.⁴¹

The F-16s were acquired to replace the Air Force's fleet of 19 A-4 Skyhawk attack aircraft whose actual design dated back to the 1950s. In contrast, the F-16 had, by the year 2000, become the standard multi-role combat aircraft around the world. Those offered to New Zealand were built in the early 1990s and were virtually unused with only test flight time on their airframes and could be readily fitted with electronic counter measures and target pods. Both were regarded as essential in the medium to long term, although the planes' existing configurations met the role and operational capability requirements for most foreseeable lower-order peace enforcement contingencies over the next 10 years.⁴²

The terms of reference for the F-16 Review required that in assessing the consequences of cancellation, deferment, amendment or confirmation of the project, consideration had to be given to the wider implications that any decision might have for the retention of a broader air strike capability. When it became clear early in the Review that cancellation was tantamount to disbanding the air strike capability, key Ministers who were advised of this refused to accept it as a possibility.

The two key recommendations in the Review's Report were:

That the Government consider approaching the United States Government with a view to renegotiating the F-16 package to include a lesser number of aircraft; and

That all Defence projects be reviewed as a matter of urgency, on a project by project basis, with a view to reprioritising and funding them on the basis of their capacity, judged from an NZDF-wide perspective, to advance New Zealand's national interests.⁴³

There were four basic reasons for the first recommendation. The first was that, even in terms of existing policy, 28 strike aircraft were an excessive number for a relatively small country like New Zealand, particularly when the critical mass was said to be a squadron of 18.⁴⁴ Secondly, it was known that the Americans were interested in discussing a package containing a reduced number of aircraft.⁴⁵ Thirdly, the 'deal' was a good one financially. As part of the Review, Net Present Value calculations for nine different scenarios were considered involving outright purchase of the aircraft. All gave a positive benefit. The lease benefits, as opposed to outright purchase, were even more favorable. The contract contained two five-year break points with no compulsory purchase clause. This meant that, in contrast with a cost of at least NZ\$1,000 million for outright purchase plus upgrades, the basic lease and regeneration package, without upgrades, would have provided the RNZAF with superior aircraft until at least June 2009 for NZ\$363 million.⁴⁶

⁴⁰ 'Fighter Deal On But Doubt Over Frigate', *New Zealand Herald*, 1 December 1998, p. A1.

⁴¹ Quigley, *Review of the lease of the F-16 aircraft for the Royal New Zealand Air Force*, see attachment.

⁴² Quigley, *Review of the lease of the F-16 aircraft for the Royal New Zealand Air Force*, pp. 2 & 54.

⁴³ Quigley, *Review of the lease of the F-16 aircraft for the Royal New Zealand Air Force*, p. 55.

⁴⁴ *The Shape of New Zealand's Defence: A White Paper*, Wellington, 1997, p. 30.

⁴⁵ Document dated 5 March 2000 in the author's possession.

⁴⁶ Quigley, *Review of the lease of the F-16 aircraft for the Royal New Zealand Air Force*, p. 52.

The fourth reason was much more complex and involved a number of sub issues: for instance, New Zealand's relations with both Australia and America and how to maximise the benefits from those relationships. New Zealand had been making considerable progress through the latter part of the 1990s in overcoming the US stand-off resulting from its anti-nuclear legislation. The F-16 deal and its favourable nature were in part a recognition of this rehabilitation. The Review's re-negotiation recommendation had nothing to do with any desire by the author for New Zealand to be readmitted to the American fold as an unswerving ally of that country's defence and foreign policy 'come what may'. It was based on a number of factors relating to New Zealand's self-interests: the NZDF and the people who serve in — in the interests of their own safety and professionalism — having access to the type of intelligence, information, training, exercise opportunities, equipment, funding-lines and technology that a close association with Australia and particularly America can provide; maintaining the RNZAF's operational and technical expertise; and upgrading an operational capability — admittedly with a lesser number of aircraft than the original contract provided for — that could be expanded in the future if circumstances warranted this.

The recommendation was also about the need to consider the options for the air combat capability as part of a wider consideration of defence and security policy in a national and trans Tasman context, not as an isolated issue as the Review's terms of reference contemplated. These considerations were always important, but became even more so once it became clear that cancellation of the F-16 contract was likely to result in the ultimate loss of the air combat force. The Review was firmly of the view that the possible disbandment and its implications were a legitimate matter for full consultation with Australia before any decision was made, not just in terms of the CDR, but also because of the decision's potential impact on Australia's defence relations with the United States.

The second recommendation was put forward because, at that time, there was still no significant prioritisation process in place in the NZDF to determine whether one particular project should be approved before another.

The Report pointed out that, although the F-16 contract created immediate cash-flow difficulties and impacted on funds otherwise available for other defence projects, it was symptomatic of a much deeper problem: that the NZDF had for some time been attempting to maintain a range of capabilities in terms of the so-called 'balanced force' approach, with neither sufficient money nor appropriate policy direction to ensure that it was properly focused on or funded for its national security tasks.

The Report's suggested solutions were either: more money; or setting new priorities for capital and operating expenditure by either downsizing one or more of the existing capabilities, or eliminating one or more of them. The general thrust of the F-16 Report, like the Strategos Review twelve years earlier and the two Select Committee Reports on DB2000, was designed to address these problems.

The Government however decided that it had other more important reasons to cancel the contract, and did so. One was that it actually made money by taking this course of action. This was because of the decline in the value of the New Zealand dollar and the unwinding of the contract's foreign exchange hedging arrangement.

The Clark Government's new policy direction

The Clark Government announced its new direction for New Zealand Defence in its June 2000 *Defence Policy Framework Statement* against the background of the F-16 cancellation decision and the Reports and Reviews discussed earlier.

In the wider policy context, the Framework Document (following the DB2000 line) records that defence is but one aspect of New Zealand's foreign and security policy; and, that the Government will work to promote a comprehensive approach to security. Paragraph 5 states:

The Government believes that New Zealand can best contribute to regional stability and global peace by promoting comprehensive security through a range of initiatives including diplomacy, the pursuit of arms control and disarmament, addressing global environmental concerns, providing development assistance, and building trade and cultural links. New Zealand will continue to meet its UN Charter commitments to the maintenance of international peace and security. Underpinning this approach is the Government's strong commitment to maintaining New Zealand's nuclear free status and promoting a nuclear free South Pacific.⁴⁷

The last sentence clearly confirms that, as far as the Clark Government is concerned, there is 'no unfinished business' with the United States on New Zealand's nuclear free policy. The Statement also reinforces another key element of the Government's approach to defence, namely that:

New Zealand's defence and security and defence policy will be based on New Zealand's own assessment of the security environment and on what is considered to be in New Zealand's best interests.⁴⁸

In a crucial shift from the unanimous stance taken by the Select Committee in the Final DB2000 Report that given the 'better shape' of some other parts of the NZDF, deployable land force elements, and the other capabilities needed to support and sustain them, should be the top **re-equipment** priority (emphasis added), the Framework Statement records that:

Our core requirement is for well-equipped, combat trained land forces, supported by the Navy and Airforce.⁴⁹

This represented a major policy shift and had two significant effects. First, it signalled the effective end to the 'balanced force' approach adhered to by successive New Zealand governments. Secondly, it dramatically limited the range of options available for officials to consider during the course of a series of reviews they had been instructed to conduct leading up to the re-prioritising of defence capabilities.

In tandem with the initial work undertaken on reshaping the NZDF, officials were also required to provide an indicative range of funding required for investment in Defence over the next ten years. By then, the \$NZ=\$US 0.42. This contrasted with a rate of \$NZ=\$US 0.67 at

⁴⁷ Memorandum to Cabinet, *The Government's Defence Policy Framework Statement*, 'Introduction', (CAB (00) 314, New Zealand, June 2000, paragraph 4.

⁴⁸ Memorandum to Cabinet, *The Government's Defence Policy Framework Statement*, 'Key Elements of the Approach to Defence', (CAB (00) 314, New Zealand, 9 June 2000, paragraph 12, p. 3.

⁴⁹ *Priorities for Rebuilding the NZDF*, Cabinet Paper CAB (00) 314, New Zealand, paragraph 9, p. 3.

the time of the 1997 White Paper and \$NZ=\$US 0.52 when the F-16 contract was signed in late 1998.

In late 2000, officials reported to the Prime Minister, the Deputy Prime Minister and the Ministers of Finance and Defence ‘on a future defence force structure that meshes the Government’s Defence Policy Objectives with its fiscal priorities’ and sought their advice on preferred force structure options.⁵⁰ The paper titled *Sustainable Defence Plan* records that, given competing priorities, primarily in health, social services and education, it is unlikely that the Government will be able to afford to commit significant amounts of additional expenditure to the Defence portfolio in the short-term future. ‘It is likely that there will be some new funding over the ten-year period, but this will be limited’. The conclusions of officials were that the meshing of the Government’s policy objectives and fiscal priorities would require the NZDF’s capabilities to be placed in the following broad order of priorities, with priorities for investment in descending order and prime candidates for reduction in ascending order:

1. Landforce
2. Airlift
3. Utility helicopters
4. Maritime surveillance
5. Naval combat
6. Air combat force (with the possibility of partial fleet reduction)
7. Sealift (possible refurbishment of the existing capability)
8. Small naval and air other specific air capabilities discussed in the paper.⁵¹

This effectively spelt out the end of the air combat force, particularly when it was recorded that ‘the NZDF is currently experiencing significant pressure from within its operating baseline. Current baseline funding is not enough to retain the current set of outputs and capabilities to meet current pressures. ... In addition to this reprioritisation, it is likely that NZDF will also require additional new funding from Government. This is because any internal savings/reductions within defence are unlikely to be sufficient to meet current pressure’.⁵²

On 28 March 2001, a paper from the Minister of Defence dated 23 March on a *Sustainable Capital Plan For The New Zealand Defence Force* was referred by the Cabinet Policy Committee to the full Cabinet ‘because of its significance’. This document⁵³ contained a list of decisions already taken or under active consideration, and put forward specific recommendations on capabilities based on the Government’s assessment of the roles it anticipated the NZDF was likely to be called upon to perform, and how it expected it to

⁵⁰ *Sustainable Defence Plan*, 21 December 2000, p. 1.

⁵¹ *Sustainable Defence Plan*, p. 7.

⁵² *Sustainable Defence Plan*, p. 8.

⁵³ *Sustainable Capital Plan for The New Zealand Defence Force*, Cabinet Paper CAB (01) 100, New Zealand, p. 2.

deploy. The key reference points for developing the NZDF's capabilities were those identified in the Defence Policy Framework document.

On 8 May 2001, the Prime Minister announced what she described as a plan for 'A Modern, Sustainable Defence Force Matched to New Zealand's Needs', with the following key components:

- a joint force approach to structure and operations, with the objective of improving co-ordination between the three Services;
- a modernised Army based on two light infantry battalions;
- a Naval fleet with (eventually) two ANZAC frigates, a multi-role vessel with long distance and Southern Ocean capabilities, and new inshore patrol craft;
- a refocused Air Force with no Air Combat Force arm; and
- a sustainable funding plan.

Since then, there have been a series of announcements designed to implement the Government's new defence policy direction and to provide a clear linkage between policy and priorities and funding. Equipment decisions include: the acquisition of 105 new Light Armoured Vehicles which are in the process of being delivered; the purchase of more than 300 new light transport vehicles and two Boeing 757 troop transporters; upgrade programmes for the C130s and P-3 Orions; plans to acquire Euro helicopters to replace the Army's Iroquois and Sioux trainers; and the signing of a contract to acquire a 130 metre Multi Role Naval Vessel, four 55 metre In-Shore Patrol Craft and two 85 metre Off-Shore Vessels.

These decisions clearly demonstrate that the current New Zealand Government is serious about defence — albeit within the constraints of a limited budget — but that the thrust of its policies differ from those of Australia. In Australia's case, its defence policy is based on the White Paper of 2000 and the Defence Update of 2003. The latter document concludes by stating that: 'For the foreseeable future, any ADF operations are likely to occur within the context of regional contingencies, the War on Terror, efforts to counter proliferation of WDM or to otherwise enhance global security and stability'.⁵⁴ In contrast, the key reference points for developing the NZDF's capabilities — which flow from the Government's Defence Policy Framework — are that:

In the absence of a direct threat to New Zealand's security, it is likely that contributions to collective security efforts, including under UN auspices, will remain a primary role for the NZDF — and a principal point of reference for force development.

New Zealand is more likely to participate where there is a peacekeeping role, rather than a requirement to impose peace.

To meet the full range of possible future deployment requirements it is necessary for the NZDF to be equipped and trained to combat capability in order to be able to undertake the full spectrum of peace support operations.

⁵⁴ See *Defence 2000: Our Future Defence Force* [accessed at <http://www.defence.gov.au/whitepaper/>] and *Australia's National Security: A Defence Update 2003*, p. 24. [accessed at <http://www.defence.gov.au/ans2003/>]

Land force, and associated naval and air capabilities, including maritime surveillance, would form the core of a New Zealand response in most plausible scenarios.

Although we cannot rule out the possibility that New Zealand would again face a decision to commit forces to a combat role in Asia, it is not easy to envisage a situation where a New Zealand government would do so and certainly not on its own.⁵⁵

These differences have important implications not just for the trans Tasman defence relations, but also for regional security and raise the question: Are there ways to improve the relationship in the interests of enhance regional security? In my view the answer is Yes. The issue is how to go about it.

Conclusion

Ways to work more effectively together

My starting point is the justifiable concern of both Australia and New Zealand about the rising tide of regional terrorism and disruptive states and the steps that they and others are taking to attempt to combat them in their various forms. These initiatives have undoubtedly brought a number of countries closer together. However, they can and should be taken much further. For example, the current initiatives to enhance collective regional security could be expanded to provide a timely and palatable basis for countries like Australia and New Zealand to conduct a fundamental reassessment of their individual and collective roles, responsibilities and capabilities, with the objective of enhancing both domestic and regional security.

But is this necessary, some may ask, when both countries have already embarked on a major shift in focus and priorities to put less emphasis on conventional conflict? There are a number of reasons why the answer to that question has to be yes!

One is the clear expectation that Australia will and should take a key role in regional security matters. Another is that New Zealand and Australian defence forces, and their supporting civilian contingents, are both likely to be called upon to participate in most regional deployments in the foreseeable future. Another is that an enhanced security arrangement is likely to be viewed supportively by the United States. A fourth reason is the growing realisation that most collective security operations are more complex, long-term, dangerous, expensive and difficult than most countries ever contemplate, and are invariably doomed to fail if they aren't handled properly.

This emphasises the importance of having answers to some key questions. For example: What is involved? Who are the likely players and key participants? Will the consent of the country 'being assisted' be required before intervention takes place? What should be the extent — if any — of UN approval and/or involvement? What type of assistance could countries like the United States most usefully provide? Where is the money to come from? What lessons can be learnt from previous deployments? Are there areas of co-operation — such as intelligence and information sharing, procedures development, planning, basic training, exercises, participation in search and rescue, disaster relief and peacekeeping — that can be developed, expanded or improved upon to promote further understanding, trust and

⁵⁵ *Sustainable Capital Plan for The New Zealand Defence Force*, Cabinet Paper CAB (01) 100, New Zealand, p. 2.

confidence within the region? Do the current military strategies and structures of the likely participants cater adequately for this type of engagement? And finally, what impact does the development of more effective regional capabilities have on existing relationships like ANZUS, the FPDA, and the CDR?

At this stage, only two questions are touched on. The first: **What is involved**, is daily becoming more difficult to answer, given the need to be prepared for such diverse operations as conventional warfare, the rising tide of terrorism, and pressing problems closer to home requiring (possibly) more immediate attention. On the terrorism front a lot of progress has already been made. However, clearly still more needs to be done to work out who does what in ways that produce a coherent solution to the problems that will arise in the region from time to time.

The second question is: **Do the current military strategies and structures of the likely participants cater adequately for collective regional security-type engagements?** The answer is, not yet, even on a trans Tasman basis. The reasons for this illustrate some of the issues that are relevant in the wider regional context.

Despite the fact that both Australia and New Zealand have carried out a mass of research on defence and security issues, that work has usually been in response to a funding crisis, a capabilities problem or a specific event. As a result, wider collective security issues — other than terrorism — have received limited attention. As a consequence, the defence forces of each country have continued to be structured and equipped for perceived national interest tasks rather than for potential coalition activities.

The reality of all this is that Australia — as a necessary and guaranteed participant in any Asia/Pacific collective engagement — needs to spend more time and effort, in its own interests, on developing strategies that encourage New Zealand and other like-minded countries — despite Bougainville, East Timor and the Solomons — to be there with it, in a relevant way.

This is a big ask for any country for at least two reasons. The first is that it requires fresh thinking on how to develop a new national approach to determining security and defence interests and acquisition priorities. The second is that it requires thought to be given as to how bilateral agreements like — for instance — the CDR and the Australian/America component of ANZUS — may need to be refashioned to cater for wider regional security and defence considerations.

The starting point could be for Australia and New Zealand jointly to undertake a proper assessment of their respective regional priorities as a basis for looking at their national security and defence interests together. After that, they could conduct an in-depth review of their respective defence forces, with the objective of maximising the potential of their combined capabilities. As part of that exercise, they would need to distinguish between situations that would trigger automatic support from the other — such as a direct threat to national sovereignty — and those that might require a more considered response, such as a US led pre-emptive strike on North Korea, or the defence of Taiwan following an assault by China.

An approach like this would enable each country to identify areas it handles best, rather than attempting to cover every role. It might also save each of them from continuing to drift into

decisions on defence acquisitions that lock them into capabilities for decades ahead when their priorities, and the equipment required in terms of those priorities, are likely to change.

The major beneficiary from such an approach is likely to be Australia. There are several reasons for this. The first is the benefit of having an active, relevant, competent, reliable and committed New Zealand Defence Force off its southeast shore. Secondly, New Zealand's participation alongside Australia in its recent regional deployments has been, and will continue to be, crucial to the success of those operations and to Australia's credibility as lead partner there. Thirdly, an agreed approach to both countries' collective security may well provide an indispensable basis for constructive discussions on collective security with neighbouring States in ASEAN and the South Pacific.

[ENDS]

Hon. Derek Quigley
April 2005

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