

## ***“Changing Australia and New Zealand Defence Relationship”***

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Maori welcome

It is a great honour to address you this evening. I've been asked to talk to you about the 'Changing Australia and New Zealand Defence Relationship'. In approaching this topic, I intend to cover some of the important contemporary issues facing New Zealand, which influences how New Zealand sees itself in the world – and how this invariably shapes NZ's security and Defence posture. I will examine the current relationship with Australia and at the conclusion of my prepared remarks, I'm happy to explore the relationship question a little further.

Divergence or Convergence?

There have been perceptions expressed over the last decade that the defence relationship between Australia and New Zealand has been diverging, and that our defence policies do not share the same view of the geopolitical and strategic environments we face - and what the future security challenges and impacts might be on our respective nations. As examples, divergence in strategic policy could be evidenced by NZ's anti-nuclear legislation and the consequences for the ANZUS alliance, our own bilateral relationship and our respective bilateral relationships with the only superpower. Divergence might also be evidenced by a disparity in our force structuring, and what capabilities we will need to meet future security challenges. The first major decision of the then new Labour Government in 1999 was to cancel the option to purchase the F-16 to replace the A4 Skyhawk. As we know, the A4s were removed from service in 2001 and the air combat capability disbanded, including the A4 Squadron based in Nowra providing air support to the RAN. This perception of divergence could also be valid, when NZ confirmed that there would not be a third ANZAC Frigate purchased, or the considerable debate that ensued on whether the P3 Orion was a capability that NZ should retain in service.

While on the other hand, we have seen unprecedented capability acquisitions over the same period for the ADF. Decisions to upgrade and rearm the F-18 and F111 fleets, the announcement to purchase the Joint Strike fighter, significant new money over and above defence allocations to purchase C17 aircraft and a Squadron of Super Hornets, decisions to procure Air Warfare destroyers, Amphibious ships the size of aircraft carriers, and a plan to significantly grow the ADF by another 6000 personnel over 10 years. One might also look at the % of GDP each country is spending - 2% GDP in Australia and 1% GDP in New Zealand. Currently, each man, woman and child in Australia invests annually four-times more on defence than their Kiwi mates.

On the counter side, could not one make a case for a convergence of the defence relationship over the same period? We have seen events in our region that have required combined responses from Australia and New Zealand.

For example, let me mention here that New Zealand was the first peacekeeping force to support Australia there in 1999, and our 3-year battalion strength commitment was valued highly by the Australian Government, as well as by the East Timorese themselves. East Timor was NZ's largest offshore deployment in the nearly 60 years since Korea; it was NZ who were there alongside Australia to bring peace and security back to East Timor.

Since then we have had two more coups in Fiji (2000 and 2006), an intervention in the Solomon Islands in 2002, [Slide – Chinatown] including spikes in the security environment requiring Quick Reaction Forces to bolster the numbers in 2006, and also in 2006 the riots in Tonga that saw the destruction of much of Nuku Olofa. [Slide – Tonga] The deployment to Tonga to quell the violence saw New Zealand lead a combined force of ADF and NZDF. The ADF and NZDF stand ready to undertake these types of deployments and have proven SOPs and the interoperability and readiness to do it very quickly.

The coining of the term, ‘arc of instability’ (and it’s new reference in the 2007 Defence Update – Area of Paramount Interest) has therefore brought a new sense of responsibility to be ready to react as the significant leaders in our part of the world. Bad news in the region may have actually focused our governments and policy teams to conclude that a close bond in the relationship was always there, and that we still needed each other (and we always did) and that a force structure able to deal with eventualities in the near-region might actually prove useful.

Since 2000, NZ thinking has been about transforming its defence force away from a balanced and thinly spread range of capabilities, into something that is affordable, narrower in scope to provide the depth and utility to make appropriate contributions in our immediate region, and which fits our strategic reality. NZ sees no foreseeable threat to its physical security, but it needs to have forces capable of operating around the world, with others, to make appropriate contributions to global security where they prove useful to do so. Australia and New Zealand’s most useful and important contribution to global security is perhaps in our own backyard where through necessity the ADF and NZDF need to be able to work together seamlessly. Like any relationship, it is not always harmony, and while often we agree on the outcomes of our work together, we are sometimes at odds as to the type of approach we should take in achieving those outcomes.

The transformation of the NZDF to be more relevant to the needs of the region comes from how Kiwis see their place in the world. [Slide – CIA] It may not be the way that others see us however.

First of all, we're small. At 4 million people we have about one fifth of Australia's population. That means we don't have unlimited influence or resources at our disposal. We have to be realistic about what we can achieve and what it will cost. Our smallness also explains the importance we attach to working with others on issues of importance to us - and our strong support for the UN multilateral system, including the Security Council, General Assembly, and institutions such as the World Trade Organisation – and other multilateral forums such as APEC, the ASEAN Regional Forum and the Pacific Island Forum - and so on.

Geographically, NZ is isolated. Our nearest neighbours of Australia and New Caledonia are over 1200 miles away. We've been described - a little unkindly I think - as the last bus stop on the planet – but after all it is the place where the Tri-nations and Bledisloe Cups reside, and where bungy jumping was invented – it can't be all bad!

Despite unprecedented levels of inter-connectedness in the international system and the immediacy of cause and affect on national economies and security environments, our geographic location is a factor in the way we see the world. For example - Darwin is closer to Hong Kong than it is to Auckland.

Like Australia we're a relatively young country. That helps explain why we're prepared to take new and fresh approaches to issues. We're not as bound by tradition or history as some other countries may be.

Because foreign policy is as much about reflecting our values as it is about pushing our interests, it's important to have a good appreciation on the changes taking place in New Zealand society. Like Australians we honour the timeless values of opportunity for all and fair play. That applies not only domestically - it also shapes our approach to the rest of the world in determining our foreign and Defence policies.

New Zealand has a strong internationalist tradition: we work hard on global issues such as non-proliferation and disarmament, development cooperation, human rights and environmental issues. New Zealanders want to be on the right side of good causes and they want to make a difference. We can often play a useful role on difficult issues because we have no axe to grind, and are not seen by other countries as presenting some sort of threat.

We have a liberal, open, market-based economy and we are global traders. Before the Second World War we sent over 80 per cent of our exports to Britain, mainly sheep meat and butter. Now Britain accounts for less than five per cent of our merchandise exports and we trade with some 160 countries. The fact that exports account for so much of our national income helps to explain the importance we attach to rules-based international trade.

Again, like Australia, we are a stable democracy and have demonstrated that New Zealand is a constructive global citizen, prepared to play a role beyond our immediate sphere of interest (as we did in Iraq and continuously in Afghanistan since our first deployment of Special Forces in 2001). But at the same time we have a certain independence of mind on international questions - our non-nuclear legislation is one example of this - and we sometimes take a different tack from, say, the Americans, Europeans and even occasionally Australia on some international issues.

Australia is New Zealand's single most important relationship. Australia is our closest neighbour and our most important economic and defence partner. The ties that bind us now span three centuries. We have similar histories, culture, institutions and values. The people to people links we share through business, tourism, migration, sport and family contacts underpin the fundamentally close and warm government-to-government links.

Over 700,000 Aussies visited New Zealand last year, and there are currently around 400,000 New Zealanders living and working in Australia. You'll note the reference to working; while the myth continues of the kiwi dole-bludger lounging on Bondi Beach, Australian government statistics show that New Zealanders living in Australia have higher rates of employment than native-born Australians.

It's a uniquely close relationship. In some ways it's like a family relationship - with both the closeness and the competitive rivalry we often see amongst family members. You see that competitive aspect in the sporting arena in particular, and we tend to tell jokes about each other, mostly in a light-hearted and good-humoured way. We don't always agree about all issues, but where we agree to disagree it does not damage the overall relationship. Through rough times and smooth, close friends and neighbours remain important.

Overall the Trans Tasman relationship continues to be of continuing importance to both partners – and this extends into the Closer Defence Relations agreement (CDR) which was signed in 1991.

Looking at the international environment, there can be little doubt that, for all of us, the 9/11 attacks on the United States have shaped the security outlook and policy responses in the opening decade of the 21st Century. International terrorism and the possibility for it to be exported to both our shores has come to dominate our security and foreign policy perspectives in the last five years or so. The Bali & London bombings, and the more recently the foiled bombings in the UK, have reminded us again that the threat is real and imminent – with potential connections into our domestic environments.

New Zealand's commitment to the war against terrorism has been staunch, and we'll continue to play a full part. I will provide some background to our current deployments a little later, and perhaps there might be a few questions you may have on these.

A fortnight ago, our two Defence Ministers met in Sydney for their annual talks. A number of geographic areas were discussed. Iraq and Afghanistan were significant topics and the Ministers shared perspectives on the progress or otherwise of these two countries, and the chances of success in these operational environments. There was a shared and similar view on the broader interactions between China & Taiwan, Japan, the Koreas, India and Russia – as well as both our growing bilateral relationships with each.

Much of the focus however was on the reality of our near-region, now termed in Australian Defence Update 2007 parlance the Area of Paramount Defence Interest. Australia and New Zealand's assessments into the Pacific and NW through East Timor and Indonesia are similarly close, and both of us are mindful that sufficient capability be held in reserve to deal with an uncomfortable hunch that there will be further actions required in our near-region.

A number of South Pacific countries have suffered increasingly from political conflict and instability. Population pressures, land disputes, ethnic tensions, failing economies, and the loss of the rule of law are common factors in parts of Melanesia, and now spreading into Polynesia. And the region is not immune from the threat of HIV Aids.

Most of these problems are not directly the concern of defence forces to solve, but inevitably when they are not managed and destabilizing actions are not contained, it falls to Australia and New Zealand Defence Forces to be the lead elements to provide assistance and security interventions – preferably by invitation of the host government. It is the near-region that has driven Australia and New Zealand into cooperative action, and this has been made all the easier given the closeness of the relationship and the interoperability we strive for.

Both Australia and New Zealand have a commitment to help resolve these problems, with a focus on governance, economic development, resource management and things such as climate change. We do this because it is in our interests not to see conditions created which spawn illicit activities, international crime, -people smuggling, money laundering, as examples, and which could also provide cover for terrorist organisations. Apart from the direct security aspects, it is the right thing for developing countries to do to assist neighbours in need.

To help tackle some of the problems confronting the small Pacific nations, New Zealand and Australia, together with their Pacific partners, have agreed on a new plan to promote economic growth, sustainable development, good governance and security in the region. The plan will strengthen the Pacific Forum, under which Heads of government, including the Prime Ministers of Australia and New Zealand, meet annually, and lead to much deeper cooperation in the region, include the sharing of resources. It also means very closely aligned defence assistance and engagement programmes with Pacific Island Nations. This is being done very effectively (DCP/MAP)

In this same vein, Asia remains of great importance to both of us. New Zealand is working hard on closer engagement with Asia, to position ourselves securely in the changing regional architecture.

We have put a lot of effort into our links with ASEAN to underline our commitment to the region. New Zealand's participation, together with Australia, in the Five Power Defence Arrangements is a practical demonstration of our commitment to the peace and stability in Southeast Asia. We've also worked hard at developing our key relationships with Japan, Korea, China and India.

With the United States, the world's only superpower, New Zealand has a long tradition of working together, reflecting our shared values. Our views diverge from those of the US in some areas, and our non nuclear stance has meant that we are no longer regarded by Washington as an ally in the formal sense. While our views may diverge in some areas, we cooperate closely in many, but it has affected the

Australia-New Zealand relationship in subtle ways too; exercising opportunities and exchange of data – as well as access to third-party information from the US.

## The NZDF and the Security Environment

What I would like to share with you is our experience in New Zealand over the last five or six years in working to modernise our defence forces so that they are best able to meet contemporary needs.

As a country with a population the size of Sydney, New Zealand's role and capabilities with respect to international security are naturally different from those of the US, UK or Australia. We, and perhaps more so in Australia, recognise the heavy responsibility carried by the US as the world's pre-eminent economic, political and military power. We know that New Zealand is not immune to the security challenges the rest of the world faces such as terrorism, weapons of mass destruction, and the illegal movement of people, drugs and weapons. Further while we are a small country in a relatively isolated geographic position, as a nation we have never been isolationist or reluctant to play our part in international affairs. Indeed, we participated in all major conflicts of the twentieth century, most often alongside the United States.

The campaign against terrorism seems likely to be a long one, both in Afghanistan and closer to home in Southeast Asia. We remain committed to working with the United States and other like-minded countries to counter this threat.

Since 2001 we have played an active part in Operation Enduring Freedom, deploying ground, naval, and air assets to Afghanistan and the Gulf region.

The NZSAS have served in three rotations, working alongside their US and other international counterparts in security operations in Afghanistan. Our 120-strong Provincial Reconstruction Team in Bamyan, now in its tenth rotation, was the third PRT established in Afghanistan, behind the US. We have committed our defence forces in Bamyan for a further year until September 2008; acknowledging the importance of the security and development role they are playing; and they are likely to stay longer.

New Zealand's commitment to collective security has involved it in a wide range of deployments across the world over the last decade. In 1995, we committed around 250 troops to help end the conflict in Bosnia. In 2000/01, New Zealand forces involved in overseas deployments peaked at around 1100 when we had a battalion committed in East Timor for nearly three years.

At present around 500 Defence Force personnel are contributing to operations in Solomon Islands, East Timor, Afghanistan, Iraq, Bosnia and Herzegovina, Kosovo, the Middle East, Korea, Egypt, Israel, Lebanon and Sudan.

Our strategic perspective is that while New Zealand at present is not threatened militarily by another state, we face non-traditional security threats in areas such as bio-security, the proliferation of weapons of mass destruction, trans-national crime and terrorism. We have other concerns about the destabilisation of our region from the availability of black market military weapons, natural disasters, and state fragility and failure in the Pacific and beyond.

The direction we wanted to go in was clear. Priority needed to be given to investing in force elements that were trained, equipped, and maintained at appropriate levels of combat viability and readiness to be deployed at home and internationally.

New Zealand needed to focus its resources in specific areas in which we could achieve excellence and add value to international efforts, rather than try to do everything with our resources spread thinly.

The shift towards a narrower, but more focused, range of military capabilities is a reality for many small and medium-sized nations, including some NATO members.

In the New Zealand context this shift has been backed by significant investment in new and upgraded capabilities. In 2002, the government approved the Defence Long Term Development Plan and committed more than \$3 billion over ten years to update and replace a range of obsolescent equipment.

The purchase of 105 new light armoured vehicles (the US Stryker platform but with a more sophisticated gun turret); new light operational vehicles, Pinzgauers, including armoured & non-armoured and special operations variants; and a new tactical mobile communications systems has underpinned the Army's shift to a motorised cavalry configuration. It is based on modular concepts, allowing it to deliver more firepower, more quickly, in a greater range of situations.

For the Air Force, the purchase and conversion of two B-757s into freighter configuration, the life-extension of our C-130 Hercules fleet, and new state-of-the-art NH-90 medium utility helicopters will significantly enhance both our strategic and tactical airlift capabilities, and support to our deployments.

We have also begun the mission systems upgrade of our re-winged P-3 Orion fleet. This will ensure that we have a sophisticated maritime and land surveillance capacity out into the future. The specific modes of operation were designed to meet other security agencies' requirements such as NZ Police, Immigration and Customs, with some of these specifications being higher than the pure defence need.

We have also made major investments in improving the surveillance and operational capabilities of the Navy. A new 9000-tonne multi-role vessel was commissioned into service in June and it is capable of transporting a fully equipped infantry company, its light armoured and operational vehicles and support helicopters, as well as providing other capabilities like surface patrol, logistic support for land operations, and disaster relief.

Six other ships will enter service over the next 15 months under the same project, and this will significantly improve our maritime resource and border protection capabilities. The two 85m offshore patrol vessels that are part of this package will have the reach and performance specifications to work in the Pacific and the Southern Ocean. They will also have an important maritime counter-terrorism role and deliver real capability in the constabulary-type roles small-nation navies are increasingly being asked to perform. The Protector vessels of course will complement the naval combat force of two frigates and a replenishment vessel.

In addition to this new spending on equipment, we have committed to a 10-year, \$4.6 billion capability-rebuilding programme.

Known as the Defence Sustainability Initiative, the priorities for this new funding will be increasing personnel levels by between 12 and 15 percent, bringing new equipment into service, re-building infrastructure, and increasing reserve stocks. A key driver behind the type of capabilities we are investing in is our alliance relationship with Australia and, closely linked to that, our responsibilities in the South Pacific.

In conclusion, as we look ahead, there remains a sense of vulnerability in the region, particularly in Melanesia, to a range of cumulative pressures. These include population growth, governance failures, fragile economies and ethnic tensions. These threats in other parts of the world have created an environment conducive to exploitation from external sources.

Given that such threats are frequently too big for small Pacific states to handle on their own, it is vital that Australia and New Zealand continue to provide leadership and support in shaping a regional response.

Our governments, Defence Ministers, our CDFs and Defence Secretaries are absolutely committed to ensuring that we can operate together, and that we need to be examining new operating concepts that involve greater whole-of-government responses to any contingency we may need to undertake together. As officials, we need no more direction to better cooperate on capability and acquisitions, and to better coordinate our national policy and planning responses to create the combined outcomes we will inevitably have to provide.

The Defence relationship is in great shape, but we have challenging times ahead. For our part, NZ is in a better position to meet the future we see at home and in our region, as we continue to transform the NZ Defence Force organisation and its capabilities. In today's international environment, the need for strong international partnerships is paramount. New Zealand values its defence links with friends and partners, and is committed to maintaining defence relationships, particularly with Australia, our most important partner.

The ANZAC relationship is a uniquely close one, built not only on common geography, but also on shared values, history and institutions, not to mention our many battles on the sports field! Interoperability between our forces has a high defence priority, if we are to stay in touch with the ADF as it develops its vision as a networked, combat capable and deployable force.

Thank you.

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