

***"The 2008 Defence White Paper - What it Needs to Do"***  
A Presentation to the United Services Institute of the ACT

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Air Commodore Peter McDermott (President, USI of the ACT) - It's great to have a chance to be back addressing the USI which does have a terrific place in the debate of these things in Australia and particularly amongst the community of us here in Canberra.

In this institution, and staff colleges around the world in fact, they tell people that the first Principle of War is "Selection and Maintenance of the Aim". Although I don't agree with everything said and taught in staff colleges, that it is the one thing that is really a good point.

It is a very good idea when you are setting out to do something, in advance, to work out why you are doing it, what you are trying to achieve and what's going to count as success. This is as true for a White Paper as it is for anything else. In fact in some ways it's particularly true of a White Paper because writing White Papers is a pretty adventurous business. You start off with a vision of where you want to get to, but what you find is that, as you go along all sorts of other factors start intruding and it is very easy to forget what it was that you were trying to do.

So, what I want to do this evening is to contribute to that process of selecting and maintaining the aim at the beginning of the process - not by talking about where we should end up, not by telling you what I think the answers ought to be, although I've got views on that, but to answer three questions - Why are we doing it? Why are we doing it now? And what does that tell us about how we should go about doing it? And along the way I hope to illustrate what I think will count as success and failure.

The First Question - Why are we doing it?

What are White Papers for? It's easy, and it's important, to observe that White Papers have a different place in the way in which we do Defence policy than any other area of public policy. Other areas in public policy do sometimes have White Papers, but they don't have anything like the sort of centrality and the kind of sacred place that they have in Defence policy. And there is a reason for that - that is in Defence policy you have I think a unique requirement to make very long term decisions in circumstances of very high uncertainty. The combination of big decisions with very long implications has huge resource tags to them in circumstances where there is a lot, almost everything, that you don't know, places a very special premium on your capacity to do long term planning in a very clear, disciplined and rigorous way.

And that's right at the heart of what a White Paper ought to do. To my mind, the purpose of a White Paper is to make, and to communicate, decisions about the longest term questions that a Defence organisation, and the Government in pursuing its Defence obligations, has to make, and those are the decisions about long term capability development. So I would focus the effort in a White Paper very narrowly - on the long term capability decisions that we need to build in our Australian Defence Force.

Any respectable White Paper will have some other chapters - there will be one on personnel (our greatest resource), one on defence science and technology and one on defence industry. And some of these are pretty important - there are quite good opportunities in the White Paper context, when people have got big policy questions on their mind, to get to do some other policy

work. But it's very important to bear in mind that's not the core of what a White Paper is about. The core of a White Paper is the decisions about the long term capabilities we need to build.

It's worth making the point that when we say long term, we mean long term. We are talking about 30 or 40 years. And these decisions we make about long term capability development are the most important decisions that Governments make about Defence in peace time, because the resources engaged are so great. The opportunity costs in particular are so great.

A decision to invest in capability type A is, by definition, a decision not to invest in a whole lot of other capabilities and those decisions will carry ramifications and shape the instruments we have available to protect Australia and its interests decades into the future. That imposes some real standards on how well those decisions are made and the kind of process and the kind of product that we go through in producing a White Paper.

And one way of describing that responsibility, or to guide us to fulfil our responsibility, is the old commercial concept of due diligence. You can't be thrown into gaol for getting something wrong as a company director, but you can be thrown into gaol for not taking enough care in the decisions you make. And one way of asking and thinking about the White Paper process is - it's a way, if its done properly, of exercising due diligence - the Government to exercise due diligence in the decisions it takes about long term capability.

Now this is not rocket science. There are fairly clear standards for how you make good public policy in any field, or for that matter not even just public policy. You've got to define your aims clearly, you've got to explore the different ways available to achieve those aims - you've got to evaluate and compare those different alternative approaches in terms of cost-effectiveness, cost and so on - the risk involved. You've got to, from that, range select the alternative that you think is the best one and you've got to implement it effectively.

That will be true if you were talking about housing or single mother's pensions or anything else. But it's also true of defence. And in a sense what a White Paper needs to do is to apply those very routine constructions of what due diligence in its terribly important decisions is - apply them to the very difficult business of making judgments and making decisions about our long term capability needs. What that boils down to in practice is something which is deceptively simple and some of you I know will have heard me say this before - its the alignment of strategic objectives, capability priorities and financial projections.

You've got to work out what it is that you are trying to do with armed force, work out the capabilities that you need to do it, work out how much you are prepared to spend and make sure they all add up and make sure they sit in line. And building and sustaining that alignment is the key to defence policy: it's what the defence policy is. And that's right at the heart of what White Papers are for.

Second Point - What is a White Paper Not?

The first thing is, in particular, it's not just an essay on the international order. When people think White Paper, the first thing that flashes into their minds are the sorts of stuff that's normally encapsulated in the first two or three chapters. That is - what's the strategic environment? What threats might it pose to Australia and what does that mean about the kinds of very broad security agendas that we have?

That is only part of the story. But it is a very big mistake in thinking about a White Paper is what we have to do is to write an essay on the strategic requirements and Australia's place in it and

then stop. That's to a certain extent what a Strategic Review does. I can allow myself to say that's what the Defence Updates of 2003, 2005 and 2007 did - that's not a White Paper. If it doesn't go from there to judgments about capability priorities embedded in judgements about dollars, then it's not doing the job a White Paper needs to do.

The second thing is that it is not a National Security Strategy. The National Security Strategy of course is on the boil right now in this town - much talked about, nobody quite knows what it looks like, nobody quite knows what it's meant to do and the task of selecting the aim for that particular operation has not been very effectively fulfilled. I've got my own views on that - that's a different subject, but I'll just make the observation that, what a National Security Strategy needs to deliver to the White Paper process is a definition of which of our very wide range of security objectives we want to pursue by, or primarily by, armed force.

And if the National Security Strategy gets it right, it will recognise an awful lot of very valid and significant national security objectives which we do not expect to pursue primarily through the pursuit of armed force.

Global warming - I'd sign up to as a security issue. I don't believe that armed forces are going to do much for us about that. Terrorism I put in the same category myself as a more contentious observation.

What we need to do is to start off by saying there's a range of security threats out there - some of those are ones to which armed force will be the principal response - quite a wide range in fact I would say under Australia's present situations - now we start with that and go from there.

The third point to make about a Defence White Paper is that it's not at this stage a waste of time. There is a respectable view that White Papers are a waste of time - that we always get them wrong - that what they attempt to do is to predict the future and plan a force specifically for that future, and of course we can't predict the future. We always get the force wrong and so its therefore best not to try.

An implication which flows from that is that we should do instead is stick with that something often called a "balanced force" - sometimes that wonderful adjective "flexible" gets a run there as well - and stick with that, rather than try and do these sorts of large scale planning processes.

What a "balanced and flexible force" ends up meaning is a combination of something that looks very much like what we've got at the moment, but a bit bigger. And it tends to carry the implication that what you have is a little bit of everything. Well, you can't have been engaged in the difficult process of writing a White Paper without having a bit of sympathy for that view - but I do think its wrong - because there is a very big assumption embedded in that view and it is that the future is going to look a bit like the past. In the end it's a profoundly conservative view.

It reflects to my mind a complacency that Australia's strategic circumstances will not look very different to the ones we had in recent decades and that the forces which have kept it more or less safe in the last few decades will continue to do so in the future.

I don't think that's a valid assumption for Australia today and I think at any time it's not a valid assumption which should just be accepted as the foundation of our defence policy. At any time it needs to be exposed and tested and challenged: which is what a White Paper should do. But I think at the moment it turns out to be actually wrong.

The fourth point about what the White Paper is not, is that it's not too late. There's a bit of a tendency to think that with some pretty big contracts signed over the last few years and particularly the last six months - I think part of the very significant sums of money that have rained upon the state of South Australia as the election approached.

Some people have said to me "Why bother?" All those big decisions have been made. But we've got to remember how long term this is - we're not talking about next year's budget or the year-after's budget - we are talking about the choices that are made over the next 3 year, 5 years and 10 years.

And particularly if you heard Peter Briggs\*, you'll know how frightening close some very big decisions can be. We'll need to decide in this term of government what the next submarine is going to look like and if Peter said the sort of things that I expect he said, he might have suggested to you that the assumption that we replace six Collins Class submarines with six - lets call it "Briggs" Class - submarines, might not be the right assumption. And of course there's the future of the Air Combat strike capability, the question of the size and shape of the Army - they are very big and strategic questions on the agenda with immense resources attached to them. So I think that there is a lot to be decided. In fact, and this leads me to my second point.

Why Now?

I think that this is a very important moment to do a White Paper and there are a few reasons for that.

The first one is kind of superficial and obvious - the 2000 White Paper is now eight years old and that's a long time for any document to retain credibility and legitimacy. But also it's not just any old eight years. And it's been a very eventful eight years. A lot of things have happened and in the process, amongst other things, governments and beyond governments - the wider defence debate - has engaged with some of the ideas that underpin the 2000 Defence White Paper in an unusually energetic way!

I've agreed with some of the arguments that have been made and disagreed with some of the others, but what I am absolutely convinced of is that its been a long time since we've had such an energetic and engaged defence debate in Australia.

It's got a lot of issues on the table but its left a lot of issues up in the air - and one of the problems I think that we have in Defence policy at the moment is that a lot of those issues have been raised but not resolved. Raising issues is great - if I can put it this way if you are an academic that's fine and that's the end of it - but if you are in the business of government, you've got to raise issues then resolve them, make a decision and move on. We need to move on from the debates of the last eight years.

The second superficial reason is that - as my dear friend and colleague, (Dr) Mark Thompson has pointed out - notwithstanding the generosity of the previous government in funding defence over the last eight years since the 2000 White Paper, there is a gap between what's been committed and what's been promised, and so we are in danger of running out of money, so at that level alone we need to go back and rethink and when people are looking at the White Paper they tend to focus on those two rather superficial reasons.

I'd just like to make the observation that there are much deeper and more important reasons to do the White Paper now. To understand that, it helps to go back to 2000 Defence.

The motivation for doing the White Paper in 2000 was very simple and very specific and clear. It was a sense and a firm judgment that we could not afford to maintain the range of capabilities that we were trying to maintain in the 1990s at the level that would make them strategically effective in the Asia-Pacific - that is a fair chance of winning within the sums of money that we'd been living on since the mid 1980s.

Basically we had a stable defence budget since 1985, stable in real terms - our costs had gone up significantly, the efficiency programs that had been put in place had entirely been absorbed by paying ourselves more - quite legitimately - and the defence force we were sustaining at that stage, could not be sustained with the resources we had available. And we felt it was essential to present Government with a choice to either spend more or do less - and to present Government with that choice and to get Government to make that choice and to make sure we didn't do the worst thing, which is to kid ourselves that we could keep on doing the same or more with less and less.

That was the reason the White Paper went forward and to their great credit the Government of the day recognised and accepted the challenge and was willing to take it head on. The problem we faced in 2000 though just didn't appear in the few years before 2000.

It had roots, I think, that went right back to 1976 - to the 1976 Dobb Review and the 1976 Defence White Paper that established self-reliance as the core of Australian defence policy. The 1976 White Paper was a culminating moment of a much longer and more detailed intellectual process - more than just the White Paper itself but what the 1976 Defence White Paper did was to put a premium on the ADF's capacity to achieve strategic results independently - that is what self-reliance was all about.

At that stage we ran a very narrow set of strategic objectives that related to the Defence of Australia, but once you start building a defence force to achieve the capacity for independent results, then the implications for what counts as enough change very significantly.

Before then - in the forward defence days - enough was defined diplomatically not militarily. You had enough if you could send enough to keep your allies happy. It wasn't what you could do but what you could send that counted. When we started focussing on self-reliance all of a sudden the criteria changed to what actual strategic effects can we deliver to conduct military operations and that started putting all sorts of different, much more demanding benchmarks on what was enough.

This was concealed somewhat in the 1970s and 1980s - because the '70s and '80s were very good decades, once we got out of Vietnam. We used the ADF very little, the strategic environment, we can now see in retrospect, was very stable, the demands were relatively low and so and the scale and significance of those demands were relatively modest, but by the late 1980s the pressures were starting to show.

They were reflected in the Force Structure Review of 1991 where in a sense we went through the first bite of this process of saying to Government - "Hey, we can't keep on doing all of this stuff with the resources we've got available, at levels that can achieve the strategic capabilities that we have set ourselves".

But then, through the nineties it got worse and it got worse: it got worse for three core reasons. The first is that we became much busier, in particular in a whole range of peace-keeping and stabilisation operations. It is important to recognise that the really decisive change in the pattern of operations for the ADF did not start on 9/11. It started with the Namibian peace keeping operations in 1989.

From that point on, we started moving from a force that prepared and didn't really deploy, to a force that deployed pretty much as a routine at least elements of it did and that started putting big demands on the kinds of capabilities we had.

The second thing was that we started realising that sustained economic growth in Asia, which we'd seen through the '70s and '80s, was starting to deliver a qualitative change in the kinds of capabilities that we faced in the region - anti-ship missiles, modern conventional submarines, 4th generation beyond visual range (BVR) combat aircraft and high quality surface-to-air missiles (SAMs) coming into the region.

The assurance that we had of our technological edge, which had been right at the heart of our still, I think, rather complacent thinking still as late as 1986-87 and the Dibb Report and the White Paper, started to be undermined by the sheer strategic implications of the economic dynamism of the region.

And lastly of course, we started to wake up in the mid '90s to the fact that the growth of China in particular was starting to change the way Asia functioned. And that the assumptions that we made in the '70s and '80s - that Asia had a stable strategic structure in which the United States would remain primary forever - and its interesting to see how deeply we did assume that - that assumption started to be unpicked and you can see that starting to happen as early as the 1994 White Paper.

Those three things together produced an environment in which it was very clear that the capabilities that we'd been sustaining could not continue to be sustained with the sums of money we were spending. And Defence White Paper of 2000 was the response. It recognised that we could not define Australia's strategic objectives - by objectives, I mean the objectives that you intend to achieve with armed force - interpreted as narrowly in terms of Defence of Australia. We had to move to a conception of our strategic objectives that went beyond the Defence of Australia.

It began to build a disciplined way of defining those objectives beyond the Defence of Australia and just put a toe in the water of trying to identify the operational implications of that expanded sense of our strategic objectives and it provided, of course, an argument in doing so for more money and delivered us 3% per annum real growth.

It didn't do much more than that, and although in some ways I remain quite proud of what we achieved in the 2000 White Paper, I remain much more conscious of what we didn't achieve. Now that brings us to today - because the reason why the White Paper is really urgently needed today, is that - thanks to the 2000 White Paper we have a relatively large sum of money available - although I'll come back to that.

We don't have a kind of really short term acute funding problem that we faced in 2000 but we have much less clarity now about how we should spend it. The most urgent problem today is not how many dollars we've got, but how we spend them. And the key focus for a White Paper today is to build a disciplined structure to link strategy, capability and dollars in this world in which our strategic objectives have expanded beyond the Defence of Australia.

Now, we've been here before: building that kind of disciplined way of making these decisions was what Tange and his colleagues, civilian and military, worked so hard to do in the 1970s and into the 1980s, and in many ways the work in the '86 Dibb Review, Dibb's Review and the '87 White Paper was a culmination of that process.

I think we've got to be careful not to exaggerate how much we achieved there. I have great admiration for it but I think that there were very significant weaknesses - it was never as good as we thought it was and I speak as someone who worked in the system themselves and it tended to focus too much on the tactical and operational levels. It didn't focus enough on the strategic level. And we did tend to - I think we made - some significant errors, i.e. our assumptions about Asian stability were complacent and I think our focus on low level contingencies became a straight jacket which prevented us thinking creatively about our strategic requirements.

But I've got to still say, with those deficiencies, that we did a better job of making decisions about how to spend money than we have recently. Defence 2000 made an effort to rebuild some of that structure and discipline, but it was half-baked in several ways, including the fact that the Government itself - Ministers in the process - were not that committed to it.

And then, since Defence 2000 I think it will be fair to say, that even that structure has tended to collapse. There are reasons why our capacity to make disciplined force structure choices has eroded as far as I think it has. One is that there is a lot of money around. It has been pretty easy to go out and spend \$600m or \$700m or \$6 or \$7 billion on new capabilities without really asking ourselves is this the most cost-effectiveness way of achieving our objective.

The second reason is that some of those fundamental decisions that I touched upon before remain unresolved, so it's been hard to find a foundation for debates when we haven't been sure what it is our defence force should be doing. I think the pace of operational activity has been a pre-occupation for many in the Defence senior management. I'll go a bit further and say that I think it's been a distraction. Not to say that careful senior attention to operations is not actually critical - it is - but I don't think that the defence organisation can afford to say "I'm too busy managing today's crises to worry about how we are spending a very large slice of the defence budget which goes into building the future force. You've got to do both.

Lastly, I think part of what happened in the years since 9/11 in particular has been on the part of some members of the defence debate, and on the part of the previous Government to a certain extent, a retreat to a kind of pre-'76 alliance-based construction of what we were doing with the defence force. The focus on the war on terror produced an era when it was easy to think that an independent capacity for military operation was less important than a capacity to support our ally - and building forces to fit in with coalition operations again moved to front place in our thinking about capabilities. I think that was a big mistake. For all of those reasons, we end up in a situation where our capacity to spend, to make decisions about how we spend money wisely, is a lot lower than it used to be - and we must do better.

There are a few reasons for that. The first is that the long term trends are against us - by long term I mean over decades but that's the time frame we are talking about - Australia's relative strategic potential in Asia is declining. By relative strategic potential I don't mean our actual capabilities: I mean the capacity of our society - economically, technologically, managerially - to sustain capabilities that can achieve decisive strategic results and the reason for that is quite simple, it's not just economic growth though that is absolutely central.

It's worth bearing in mind that when the 1987 White Paper was written, Australia had a bigger economy than India and a bigger economy than China - that's not going to happen again. It had a bigger economy than all of ASEAN put together. It was a different world, but it's not just raw economy. It's the extent to which these countries have a real fluency in technology and the extent to which they are marshalling the managerial skills and which we have to a certain extent, rather complacently, always imagined that in the last resort we would always have an advantage.

It's not just they we have got the Maxim Gun and they have not, or that we have read the instruction manual and know where the spares are. If we think that in the Asia of the Asian Century we have a decisive advantage in organisational skills, we're kidding ourselves. So, in all sorts of ways there's a very long secular I think irreversible decline in our relative strategic potential. And at the same time there is an increase in three very important risk factors.

The first is the risk of a systemic collapse in Asia - this is a big topic for another time, but to put it a nutshell, we have lived in an Asia for 35 years, roughly speaking since Nixon went to Beijing in 1972, in which the risk of major conflict between the major powers in Asia has been very low indeed. The international understandings which have underpinned that stability are being eroded by the changing power relativities and those changing power relativities are relentless. I don't for a moment believe that the descent of Asia into a more adversarial strategic environment is inevitable, but I don't think you can look at what is happening without seeing it as a risk and a risk which is increasing and continues to increase as long as effective ways to manage it aren't brought to the surface and I don't see them being brought to the surface. So that's the first problem.

The second problem is that we have a risk of Alliance failure. This is a complicated issue. I don't believe this is a short term risk and those of you who know that in my time in this business I worked pretty hard on the US Alliance myself. But I don't believe that when we think about Australia's capabilities out 30 or 40 years, we can take for granted that the US alliance will, throughout that period, play precisely the role that we expect it to play today. Partly because the way the Alliance works is intimately connected with the way in which the international order in Asia works. And if the kind of perturbations in the international order that I've mentioned occur, and I believe they could, then the likelihood that at the very time that we need that Alliance the most, the foundations that underpinned it start washing away, is quite significant.

Thirdly, the risk of sub-systemic events in the immediate neighbourhood has grown. By that I mean events that have significant implications on Australia's security but aren't big enough to disturb the whole international order. In other words things that we have to look after by ourselves even if our Alliance does hold up and that is a slightly fancy way of talking - to make the perfectly obvious point - that there's no reason to expect that the next decade in the immediate neighbourhood is going to be any better than the last decade. And the last decade has been pretty dreadful - we haven't actually scored many successes you may have noticed. So we need to be very conscious of how much bigger those demands could become.

Now, all of that can be summed up by saying that Australia's capacity to exercise strategic weight as a middle power in Asia is under direct and sustained challenge, and just at the time when the probability that we will need to have the capacity to exercise independent strategic weight as a middle power is growing over the long term.

Just to be clear what I mean by strategic weight, I mean the capacity to achieve strategic results through the actual conduct of military operations, rather than through the diplomatic contribution to other people's operations.

And by middle power, I mean a power that has enough strategic weight to protect its interests and shape its environment through the use of its own armed forces. That's the kind of power that Australia has traditionally, well - has since the mid-1970s - aspired to be.

Some countries don't aspire to be that - New Zealand is one. I probably have a higher respect for New Zealand's defence policies than most people in this room, but right at the heart of it was a

decision to abandon any attempt to have the strategic weight of a middle power and we face the same kind of choice coming down the track. Now, can we achieve that objective of strategic weight as a middle power in the Asian century with the sort of money we are going to have available?

It's not clear we can do it with 2% of the GDP. It is clear that we can only just do it with 2% of GDP. If we can do it with 2% of GDP it's only because we spend every single one of those dollars incredibly carefully and that's why making sure that our capacity to make those decisions, to buy the capabilities that most cost-effectively deliver the strategic objectives we have set ourselves - to make those decisions as well as possible - is so central to our future security. We may in fact need more than 2% of GDP and if so we'll have to make a decision as to whether we are prepared to spend more or step back our strategic objectives - that's a very big question.

But it's also worth bearing in mind that at a more bureaucratic or less apocalyptic level - a White Paper at this stage is important to prepare for the next budget battle. Defence has got used to 3% per annum real growth and it's not written in stone. It didn't used to be like that. One day it will end within that time frame covered by the 2008 White Paper and 3% per annum real growth would go pear-shaped, and it could go sooner rather than later. And some say it's going to be a real battle. Some of my very many friends in Finance would like that battle to be sooner than later, about whether Defence should keep getting the sums of money its getting when it seems to be spending it as badly as it is at the moment.

And if you think that nobody in the NSC is going to raise that question, then you haven't met John Faulkner and most of you have. So these are questions which really badly need to be addressed and I think it's worth making the point that the way in which decisions have been made in the last five years have made Defence a bit vulnerable.

So that's why we need a White Paper now - to develop and embed a rigorous evidence-based and contestable approach to major capability decisions and apply it to the choices we have to make about our place as a middle power in the Asian century.

Now, of course the next question is - well - how do you do that? This is a big subject. I'm just going to identify two principles and five steps - it's a bit tantalising.

The two principles are that the only respectable way to make capability choices is to start by defining your objectives - its back to selection and maintenance of the aim. Which is sort of obvious but we all know that most of the time, capability choices are made, not in terms of what's the most cost-effective way to achieve an objective that we have identified in advance, but what capability we would like and how can we define our strategic objectives in order to make those capabilities worthwhile.

One only has to look at the way in which a great deal of defence debate in particular is conducted to see how credible that is - what we need to do in building the kind of structure and architecture that I am talking about is - to make sure we have a process that is driven by Australia's interests and objectives, and by nothing else.

The second principle is that any process to do this has to be iterative. That is, you can't define your strategic objectives as an independent variable and then say "OK, for that we are going to need the following capabilities and for that we're going to need the following dollars" and that's the end of the debate. Once you get to the dollars, you've got to ask "Are we willing to spend those dollars to achieve those objectives?" And if the bill is too high then you've got to go back and recap your objectives - there's nothing wrong with that.

What is wrong is allowing a situation to evolve where you espouse a set of objectives here and you commit to a sum of money there and they don't align - that's a bad policy. But there's nothing wrong with saying "Actually we've changed our mind - we are not prepared to sustain a strategic objective that we have decided we can't afford so we'll step back from it". So let's step back and say you are stepping back from it - and don't kid yourself that you are buying yourself a strategic objective that you are not buying.

So, with those two principles, there are five simple steps to writing a White Paper. The first thing you've got to do is to define your strategic objectives obviously and that's going to be a tough call in that.

Because as I said we've had a terrific debate over the past few years on how you do this. It is not a debate between Defence of Australia and expeditionary - that debate was over before the 2000 White Paper and it does kind of drive me berserk that so much of our energy in the last eight years have been spent traipsing backwards and forwards over that ground. Everybody who's serious in the defence debate believes that we need to clearly define for ourselves and build the capabilities to deliver strategic objectives beyond the narrow defence of the continent. But there is a very big question about what those objectives are and how we can most cost-effectively achieve them.

And there are a few questions that must not be evaded in that process in the White Paper. We have to make a decision about whether we believe that major conflict in the Asia-Pacific is a sufficiently serious possibility for us to invest serious money in positioning ourselves to survive in it. There is a tendency in the debate today still to be a bit inclined to say, for some people, that we live in an era in which state-to-state conflict is so unlikely that we shouldn't spend much money on that.

Well, how unlikely? How little money should we spend on it? We need to be precise about that question and not evade it. And likewise we have to be precise about what exactly we expect armed force to achieve for us in a range of what you might call operations other than war. What role will armed force play for us in the stabilisation of our immediate neighbourhood? We need to be quite precise about what aims we want our armed forces to achieve. If we think that we want armed forces which can actually police countries like East Timor or - God help us - Papua New Guinea, then we better say so and we better recognise that is going to have extraordinary ramifications for our force structure. At the moment Australian governments, and many people in the debate, have a habit of loosely saying it's a good idea for us to be able to do it without 'fessing up to what the real implications are of that so we need, so we need to be quite precise in that.

Now the second point we make about how we define our strategic objectives is that you need to do it very clearly and you need to prioritise it. One of the great characteristics of strategic debate is that it is very tempting to be evasive and vague, and what's required of course is to be as precise as you possibly can and because these judgments about what our objectives are and how to prioritise them must drive subsequent decisions, so the more precise you can characterise your objectives the more precisely they can drive our capability choices. And I think that's a very demanding requirement - how often have you seen a strategic policy document say something like - "Well, Australia's strategic requirements are very complicated and has become enormously complex and therefore we need to spend more." That won't do - we have got to be much more precise than that.

Now, I've got to allow myself to say that I think the structure of objectives that were set out in the 2000 White Paper, primarily in Chapter 4, doesn't hold up too badly, but I don't expect every participant in the debate to agree with that. But I would make this point - any attempt to fulfil this

first role, that is to define our objectives, which is less specific than the 2000 White Paper, will not pass the test.

It must be more specific than we managed to be in 2000. And that's pretty hard but it's the easy bit, because step two is to identify the most cost-effective operational options to deliver those strategic objectives.

Note I'm pausing here - I'm not jumping straight to capabilities. I'm not saying "What capabilities do we need to achieve those strategic objectives?" We have got to start by asking "What operational objectives? What kinds of military operations will most cost-effectively achieve those strategic objectives?"

Because what we characteristically find is that quite a lot of different ways of achieving those objectives and this link between the strategic level almost by definition defined in political terms and the operational level defined in military terms is a very hard set of connections to establish. It's really what Clausewitz was on about and establishing those connections is something that we've done very little of in the past and it's always been a major weakness in our force planning: it was something that we never got right in the '70s and '80s.

Now there have been some interesting contributions to this debate. Both my colleagues Ross Babbage and Alan Behm have been making some contributions about the kind of way in which they think we can use armed force to protect Australia's interests in the event of a major collapse in the Asian order.

I don't think that I'm doing Ross an injustice by saying I think I heard him say "we want to rip their arms off" and Alan talked about being "the blue-ringed octopus of the South Pacific". I think it's terrific that they are engaging in the debate in those terms. I personally I think their solution is too simple. It is very tempting to think that the way you link your strategic objectives with your operational options is to use that wonderful word - "deterrence". It's a subject for another night, but it's not nearly that easy - this is really hard: it needs a lot of work and we are only just beginning.

The third step of course is to identify the capabilities we need to achieve those operational options and at every point - when you are selecting operational options, when you are selecting capabilities - you need to focus not on what might you use but which of those choices are the most cost-effective? We've got to be making choices here. We can't just list "We could do it this way, we could do it this way, we could do it this way" and have lots or all of them. We've got to decide which is most cost-effective and where are we going to focus our resources. That is tough and it needs a bit of moderation because we never want to lose sight of both the strategic and the tactical advantages of diversity. You don't want to have only one way of doing everything. On the other hand you can't afford to sustain 25 different ways of doing everything - we are going to have to make some tough choices along the way.

And then, fourthly, you need to develop long term capability plans to tell you how to deliver those capabilities you have decided are the ones that are most cost-effective to achieve your operational objectives in order to achieve your strategic objectives from the force we've got at the moment. It sounds kind of strange, but one of the things that we have been very bad at is long term integrated capability planning. I can allow myself to say "How else did we end up deciding to buy the Super Hornet the way we did?" You can tell lots of stories about the details, fundamentally what happened was we lost control of our long term destiny there and we had to take something very inelegant to catch up.

And the fifth point of course is to bring all that together and put a dollar around in the form of a DCP (Defence Capability Plan) and then start again. To go back and say "OK, if that's what it is going to cost us to build the forces that we need to achieve the capabilities that we require to

achieve the operational options we need to achieve our strategic objectives. Can we afford those strategic objectives? I would say that, probably, we would have to go around the loop two or three times in order to bring all of those things back into balance.

Now to finish - this is very ambitious - it's a much more ambitious approach to what we've done in Defence planning that we've ever done in this country before but frankly, for a country in Australia's situation, I don't see that anything less is going to do the trick. I don't think it can be done in a year. I certainly don't think it can be done between now and the end of this year. And it's not that we don't take a long time to draft these things - it's a mistake to look at a White Paper process as a drafting process - it's a decision process. The drafting process is just writing up the minute at the end of the meeting. You can write a White Paper - we wrote the 2000 White Paper - in about two weeks.

What it takes is an immensely longer period of time to get these decisions made and in particular they have got to be made by Ministers. These are, all of them, at every step of the way in all those five steps, decisions needed to be made by Ministers based on very carefully prepared advice which gives them the options, not just "Here's a draft - do you agree with this Minister?", but really presents the options to the Ministers and then, drafting a document at the end is really the easy bit.

Now I therefore think that Mike (Pezzullo) and his colleagues have got a very demanding year ahead of them. I hope that they are given more time to do it and I hope in particular that they are given enough time with the National Security Committee (NSC). This can't be done in ordinary NSC meetings. One thing I would say we did in 2000, which they would be well advised to replicate, is long, open, rather informal NSC meetings, where these issues are just chewed around. Not on the basis of a submission with a pre-drafted decision at the end of it - do we tick it or not? - but really open discussions in which these things are brought to bear. I do think in the present NSC you've got a collection of ministerial talent that has the capacity to deliver what's needed. But it's going to require a lot of work and a pretty steep learning curve.

Finally, what counts as success? Well, to me the more open and transparent and explicit and detailed this process can be - the better, so to me a White Paper that succeeds will set out the five steps I've just described as explicitly as possible showing us all the work. It will need some careful drafting at some points - but White Papers always do, not to affect too many people - but I think that's the model we're after and in the process its got to display the fact that these issues have been considered and real decisions have been taken.

What does failure look like? Although I can't tell you quite precisely what failure looks like, we have a document that has three elements - the rather evasive strategic guidance of the Defence Update 2007 in the first chapter, a replication of the present DCP in the second chapter and a commitment to 3% per annum real growth to 2016 or perhaps a couple of years beyond in the third chapter. That would be a failure. We can't afford it.

Thank you.

(\* Note: The speaker refers to a previous presentation to USI of the ACT on 20 February 2008 by Rear Admiral Peter Briggs AO RAN Retd, President of the Submarine Institute of Australia, entitled "Maximising Strategic Options in Constrained Strategic Circumstances: *The Future Underwater Warfare Capability*")

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