

State of the Nation

Brendan Nelson, Minister for Defence

Address to CEDA, Canberra, 14/06/07

Thank you very much, Lenore, and I thank David and the Centre for Economic Development of Australia for the invitation to speak to you today. I also see my friend, Professor Gavin Brown, from Sydney University, the Vice-Chancellor, who was particularly pleased to see me appointed to the Defence portfolio I suspect.

And for those of you who are devotees of motorcycling, I've written a piece reviewing the new Triumph Twin series of 2007 for Australian Road Rider; so there you go.

The topic I've been asked to speak to is constructing a regional security community, and if you think about our region, however it's defined, we have about 13,000 Australians who at any one time are living in it. Last year 21.1% of Australia's GDP was traded in goods and services across the region. And as Professor Brown and others of you from the education sector know, we last year had 191,000 Asian students either studying in Australian institutions in Australia or, indeed, campuses established throughout the Asian region.

By any standard, the region is critically important to Australia, not only in political and economic terms, but also in terms of our security.

Over the last century our country, along with our key allies, has seen off totalitarianism firstly in the form of fascism, then subsequently, through the Cold War, communism, and amongst the many defining challenges in security for our generation, and obviously our own country – not just regionally but globally – is that of terrorism, which is, in many ways, a global insurgency which is being driven predominantly but not only by Islamic extremism and those who have high-jacked the otherwise good name of Islam to build a violent, political utopia, much of it extending throughout the world, not only through Europe and the Middle East and into North Africa, but of course into central and to south Asia. And it is in many ways a violent subversion to undermine the political, economic and cultural security throughout our world.

In looking at our region and building some sort of community of security, we are preparing in Defence, not only for the things that we know, but indeed the things that we do not. And what is shaping that are many things, but it includes weapons of mass destruction, and the transfer of their precursors, whether chemical, biological or nuclear. Also, the prospect of failing states. We cannot afford to have nations which become havens for transnational crime or terrorism on our border, or indeed in any other part of the world. We're also adapting to the normalisation which should be encouraged and supported of the Japanese self defence force, and Australia has already deployed to the al Muthanna province in southern Iraq in support and protection of Japanese engineers.

We would also need to change our posture and our outlook should the United States choose to change its own strategic outlook throughout the world. And one of the risks which I think we all face is that if the United States pursues an isolationist posture, leaving the Middle East under circumstances other than of its own choosing, then we risk a change in the US presence and participation in providing security to the architecture within our region.

We're also facing the challenge of so-called asymmetric threats, even in relatively poorly developed nations. Those who are potential or real adversaries are acquiring increasingly lethal means of doing damage, if not causing injury and death to our Defence and other personnel.

The technological and economic revolution in our region, particularly in South East Asia is to be supported and encouraged, but that also means that nations in our region are acquiring increasingly sophisticated forms of military capability.

We're also gearing up for what might be the impacts of climate change as we go over the next 20, 30, 40 or indeed 50 years, throughout this century, and we also need to be prepared in terms of regional security for population shifts, which might be associated with that, or indeed other causes.

As we look out to the region, we are also, as Australians, for the first time in our history since European arrival, facing the prospect in our region, particularly in North East Asia, of both a strong China and a strong Japan, and the challenges that that will bring.

We also face, as I say, the defining issue in many ways for security for our generation, which is that of terrorism. And we're also living in a region where at the moment we have leadership in Indonesia with President Bambang Yudhoyono, and then in Malaysia of Prime Minister Abdullah Badawi, two large Muslim countries, where President Yudhoyono is driving significant economic and political reform.

He has increased and expanded the role of the civilian Defence Minister. Also transferring internal policing increasingly to the police forces, away from TNI. He's also invited peace keepers into monitor the Aceh peace process.

We've also seen very difficult but important decisions made in terms of fuel pricing in Indonesia. And we've also seen the Indonesian government, led by the President, supporting endeavours not only by Indonesia and Australia, but other countries, to counter terrorism in Indonesia and throughout the region.

And with Prime Minister Abdullah Badawi, amongst many other things, the Ninth Malaysia Plan which is not only about economic, but human development out until 2010. A very strong focus, as in Indonesia, on anticorruption measures.

We've seen the Malaysians offer to host the negotiations between the Philippines government and the Moro Islamic Liberation Front in the southern Philippines. And we've also seen it hosting, or offering to mediate at least, discussions between the Thai authorities and the separatist movement in southern Thailand, which we should all hope doesn't become globalised.

So they are essentially just a snapshot of the issues that we're facing throughout the region. And then of course we have our more immediate neighbourhood, which extends through what Professor Paul Dibb has described, as the arc of instability from East Timor through to the South West Pacific.

In looking at the security and defence of our country, in this the 21st century, our view is that it's essentially about three things.

The first of course is the protection of our own homeland, and there isn't at the moment, of course, any foreseeable nor credible threat to Australia's direct homeland interests. But we focus unashamedly also on the protection of our borders, our gas and oil platforms, to ensure that we don't have people illegally taking our fish stocks, and also that people arrive in our country lawfully if they're seeking a favourable immigration outcome.

We also take the view that in protecting Australia, our interests and our values – because one in five Australians are overseas at any one time, and almost all of us would have significant financial investments in almost every part of the world, by virtue of superannuation, apart from other things – we take the view that what happens in our region has everything to do with our security. Not just South East and Central Asia and North East Asia, where three of our four major trading partners are, but also in the South West Pacific.

Security, stabilisation, counter terrorism, maritime border protection, humanitarian and disaster relief are just some of the priorities that we have set for ourselves, particularly in the South West Pacific, for which we need to be prepared and willing and able to be an active participant into the future.

And the third, which is no less important, is to recognise that in the same way that economic changes – whether it's the Shanghai Stock Market or what happens in North America in financial markets – in the same way that changes and unpredicted actions and outcomes happen in those markets affect us economically, so too what happens in security in those parts of the world has everything to do with us, particularly in this century.

So we take the very strong view that protecting our interests and our values and our people is as much about what we do globally, and in that sense supporting and nurturing our alliances, as what we do locally.

In building the community of security I suppose in our region, there are a number of reasons why we need to do it. The first is that Australia, whilst we are a relatively affluent and prosperous country, we are 20 million people with 0.3% of world population – there's a limit to what we can actually do in our region on our own in terms of our military capability, in terms of our economic and other ability to provide the security in the region. We need to work with other people.

The second thing is that we need to have the capacity to build into security in the region the actions of larger nations. So for example, the South West Pacific defence coordinating program, which is between us, the United States, New Zealand and the French, is one example of us making sure that we have larger nations participating in providing regional security. And at the moment, if you're not aware of it, there is a little bit of competitive tension between the People's Republic of China and Taiwan in getting support for their particular view of the region from some of the Pacific nations.

We also very much believe that if we want to build a community of security it's not just about military hardware. In fact if that is all we do, we will fail. And it needs to be taken at a multilateral level, and it needs to be taken as a whole of government level. It is as much about aid, education, governance, policing and military effort as anything else.

And so, for example, when we went into the Solomon Islands, invited by the Solomon Islands government, in 1999 for example Australia's trade with the Solomon Islands was \$99 million. After

the unrest, it was down to \$55 million. So if you want to look at it from something other than a humanitarian perspective, there's obviously an economic self interest in it as far as Australia is concerned.

But what we have done there, we've worked with the other Pacific Island nations. We've worked with the Solomon Islands government. We've taken a whole of government approach which includes, for example, I think \$28 million that has been put into policing, as just one example of what we do in the Solomon Islands.

And so too in East Timor – that is, it's not just about providing security in partnership with the New Zealanders and previously the Portuguese and Malaysians; it's also about how we build effective governance in these nations, and work with other partner countries to do so.

The other thing that's important, and why we would even focus on it, is as I said earlier, it's in our interests. We cannot afford any of these nations to be havens for transnational crime, terrorism or other forms of instability, let alone an ongoing humanitarian crisis.

And amongst many other things, we put \$83 million of your money last year into what we call the Defence Cooperation Program. It supports a range of initiatives in the region. For example, we currently provide 22 patrol boats to 12 Pacific Island nations. We help maintain them. We provide technical training. We also collaborate in the exchanging at an appropriate level of intelligence and other information, to help support security in our region.

Australians, as I've said in international fora, are pragmatic. We don't generally believe in travelling dinner clubs. We believe in strong, effective and appropriate bilateral relations, particularly those that are in our own interests. We support the multilateral fora, whether it's APEC or the ASEAN Regional Forum, which as you know is 26 nations, including the EU.

We also support the East Asia Summit, and we also support the ASEAN Plus Three, which particularly brings, as I say, our three major trading partners in North-East Asia into the picture; China, South Korea and Japan.

So I think I'll stop, because I know you want questions, Lenore, so I'm happy to take questions about that or any other issues.

Question

Do we have some questions for Dr Nelson? Actually I have a question. I'm sure you'll correct me if I misunderstood you Minister, but in your remarks you made passing reference to the consequences in our region, for our region and for the US participation in the security of our region, should there be a precipitous pull out from Iraq. I was wondering if you could elaborate on what those consequences might be?

Answer

Well, if the United States in particular, and the UK, Australia and the other nations that are there under the auspices of the United Nations and supported by the democratically elected Iraqi government, if we leave essentially before the Iraqis are in some modicum of a position to provide for their own security, there is likely to be quite a significant humanitarian disaster in the country, beyond the sectarian and al-Qaeda inspired violence we're seeing at the moment.

There will be, in the words of al-Zawahiri who wrote to Iraq's deceased al Qaeda leader, al-Zarqawi, on 9 July 2005, having built an Islamic authority which they intend to build to the level of

a caliphate, they will take, to use his own words, the jihad into the secular states in the region. And then they will confront Israel.

If the United States, any of us – and I suspect most of the people in this audience have spent time in the United States – you can turn on a television or a radio, open a newspaper in any part of the country, and you will see that there is enormous pressure on the US administration to take a more isolationist perspective.

There is an attitude in the US, which is very much one of, well whatever we, the US, do we are criticised for it, so why don't we just tend to look more after ourselves.

Now whatever anybody thinks about the decision to rid the world of Saddam Hussein, what any of us may think about that, if the US decides deliberately, in response to mounting domestic political pressure to basically go more alone, that will have significant consequences for the security, not only of our world but indeed of our region. And the critics of the United States who find it fashionable to be so, need to be careful because sometimes you get what you wish for.

Question

Greg Pearce, New South Wales Shadow Treasurer, how are you Brendan? Could you explain the strategy on the new ship purchases, not so much the air defence destroyers, but the troop ships, as I call them, given the controversy amongst commentators at the moment about buying those ships?

Answer

Well thanks Greg, I'm trying not to hang on to the lectern because the last time I did that Lenore wrote an article – she said he always hangs onto lecterns.

Look, I have had the privilege to be the country's Defence Minister for about 18 months. In that period of time we've had a significant major meltdown in security in East Timor; we had the fourth coup in Fiji; we had a breakdown in security in Tonga where we briefly deployed troops; to Fiji we deployed one of our LPAs, our Kanimbla amphibious ship and HMAS Newcastle. We also at the moment have 10 deployments running, four of them are actually quite significant. And, of course, we continue to be in the Solomon Islands.

The two amphibious ships – which were also significantly criticised, the subject of criticism when the Australian Government purchased them because I think from memory about \$400 million had to be spent on improving them, they were second hand ships from the US – are used constantly. And they are by any definition smaller than our country requires.

And remember the Israel-Hezbollah conflict which we saw last year? One of the designs which we're considering, the French AMARIS ship, was used in the evacuation of citizens, predominantly French citizens, from southern Lebanon. It could carry up to 4,000 people.

Why are we getting them? We are getting them because we need a larger capability. This will enable us to airlift a company troop. It will also enable us to carry a significant number of helicopters. It will also enable us to carry at least a battalion of soldiers and their necessary equipment.

And the fundamental point is that we're not planning for what we've done over the last decade, we are planning for what we think we're going to have to do for the next 30 years with all of the uncertainty that that involves.

And last week I was - having been in Singapore for the Shangri-La Dialogue, I then went to Japan with the Foreign Minister, and if you think about Australia's interests, our interests extend well beyond what happens in the South West Pacific. We're going to have to go a lot further. And if you only look at the South West Pacific and you look from East Timor through Papua New Guinea, through to the Solomon Islands and Fiji and Tonga and Vanuatu, which I should have mentioned earlier, and a number of other countries, it is obvious that we are going to be busy, which is why we've also decided to increase the size of the Army by two battalions.

So I am unapologetic about, you know, there are people who say we should have a smaller size but larger number of amphibious ships – that will also have, by the way, adverse consequences in terms of costs, through life support and obviously the diseconomies of scale in terms of manning.

Question

Craig Skehan from The Sydney Morning Herald. Just following on from Lenore's good question. The US military commanders in Iraq are expected to report back on the success or otherwise of the surge policy by about September. In recent days the sectarian bloodshed, call it a civil war if you like, has intensified between Sunni and Shia in Iraq. If the surge fails there's going to be growing pressure from within the Republican Party to start pulling out and if the Democrats get in it's more or less a foregone conclusion.

Given your earlier remarks about the architecture of the region changing if the Americans withdraw through lack of will or defeat, you were suggesting that Australia needs to make preparations for a change in security architecture, what are those preparations and what are the implications for Australia?

Answer

Well I'm glad you asked me the question because if you've got that impression it's a false one. The risk, as I say, the risk is, Craig, that if the momentum for an isolationist posture in the United States grows then the risk is that the United States and its administration and subsequently its Congress and Senate, will be under more pressure to be more isolationist in its global strategic outlook. Australia obviously is doing everything we can to see that that is resisted by the US political leaders, whether they're Democrats or Republicans, whether it's the current or indeed what will be obviously the new administration come early 2009.

In terms of preparations we do everything we're currently doing in terms of multilateralism, bilateralism, making sure that we're very effective not only in our diplomacy but the judicious use of our hard and soft power in the region.

The only reason I say it is because I think people are frequently asking – it's interesting – they ask me pretty much every day, when are we getting out of Iraq. They don't ask me when we're getting out of East Timor or the Solomon Islands, or indeed even Afghanistan. And we need to think to ourselves what we've just seen in the last 24 hours with the subsequent bombing again of the Askariya Shrine – no one should forget that the bombing of the Askariya Shrine in Samarra was planned and executed by al Qaeda. What has happened, and we've seen Muqtada al-Sadr, we've seen Nouri al-Maliki the Iraqi Prime Minister and others, indicate that what we've seen in the last 24 hours again is al Qaeda.

Al Qaeda is not a force which is confined to Iraq. It is essentially, or seeking to be a global movement. And we need to ask ourselves is Iraq, is the region, is our global security actually going to be improved by essentially handing victory to these people? I don't believe it is and we'll see what the United States chooses to do. We'll see General Petraeus report to Congress in September.

But I would expect that the circumstances demand that there will need to be a continuing presence in Iraq to support the Iraqi Government, and I would expect the United Nations to also adopt that view for certainly the immediate future.

Question

Yes Minister, Nola Watson from IAG. You touched briefly upon how security can have implications for economic and commercial issues and yet a fairly recent report Lloyds of London put out indicated that business is very ill-prepared and in fact doesn't pay enough attention to security risk issues and sovereign risk issues, and that was a global survey.

Do you have some views about how Australian business could be better informed or indeed whether you think it's well enough informed on regional security issues and how it might impact on their businesses?

Answer

Well I don't know if the business community wants to be given gratuitous advice from a government minister about how to run a business. I think it's fair to say that all Australians – In fact I'll go back a step. I notice that there was a piece in the Sydney Morning Herald by Tom Allard I think last weekend, which said that, you know, we're all being frightened. And the one thing that's very important for us as Australians in particular is to face our future not crouched in fear, but as confident and outward looking; to understand and factor into our lives the risk that's presented by terrorism in all its forms, and to be prepared for it, but to basically live by the values for which our country has stood in its relatively short history.

But I spend the first half to one hour every day reading intelligence, obviously I'm responsible for two of Australia's intelligence agencies and have access to a lot of information. And I think one of the difficulties is for all of us, whether it's a small business owner with a second mortgage on the house to support it, or whether it's a large company with shareholders to look after, or whether it's the everyday Australian feeding kids, car loans and mortgages, I think we are going about our lives. We know that there is a terrorist threat if not in our region – Bali was obviously the most tangible and bloody reminder of that, and we see some court cases proceeding in Australia today – but this is a very real threat. It's not something to be trivialised. And I mentioned that we'd seen through fascism and communism and we're facing something which, you know, as I say, goes through Europe, North Africa, Central and South Asia, certainly the Middle East of course, and with the reinvigoration of the seventh century caliphate.

So I think, generally speaking, I think all of us – I know elements of the media like to trivialise it – but we do need to be alert. We need to understand that this is something that's on our horizon. We need to take reasonable preparation for it in our individual and our collective lives. We need governments that are focused on it and investing in it. And I think it's probably fair to say that many businesses have not sufficiently taken into account, but that could apply to me too. I still put the rubbish tins out every Wednesday night and I've said to the people that look after me, that you've got to talk to my wife about these sorts of things, but we still live in a country where our Prime Minister goes down the street and says g'day to people, and may it ever be the case.

Question

Minister, David Stevens, Standards Australia. There've been a number of reviews in the defence industry in the procurement areas in recent years, Kinnaird and perhaps others. As Minister, how would you measure improvement in that defence procurement area? How will you know if you're succeeding, if you've made a difference to that field?

Answer

Well as you know, in March last year I announced that we would undertake a review of defence industry and embarked on a national consultation with defence industry. And the outcome of that is I've announced \$100 million four year program with nine strategic objectives for defence industry.

The reason for doing that is there's been no shortage of reviews and policies and all that sort of business in the defence space, but we've got vertical integration and consolidation in global defence industries. Our country, Lenore I think mentioned some headline figures in the Budget this year, but we will spend \$9.6 billion of your money this year on procuring and sustaining a defence capability, that will grow to \$11.39 billion over the next three years, per annum.

And I think it is perfectly reasonable for us to see what kind of domestic economic leverage we can get for our money.

We also need to, what I've basically recognised is that we need to clearly identify those things for which we are prepared to pay a premium to maintain indigenous capability in key priority areas. I also think it's – I know probably sound illiberal to many of you – but we've said if the project's more than \$50 million we want to see the supply chain for SMEs; we also want the large companies, European Aerospace, Boeing, Lockheed Martin and others to leverage our SMEs into global supply chains.

I think one of the things if I were to put myself in the shoes of business people, I think many decisions have been made in Defence which seem not to be within any sort of flags within which we're all swimming. So I think greater transparency in terms of upon what basis are decisions actually being made, so you can have confidence in investing.

And the other thing is defence export. I think we earned \$600 million last year from exporting defence capability from Australia. We can do a hell of a lot better than that.

So in terms of okay, how do we judge success? I think it will be in terms of whatever lies ahead for us economically, sustaining key capabilities in areas which we have identified as being important to our self-sufficiency.

Secondly, to ensure that we have a growing number of SMEs in the defence space, not a diminishing number. Currently we've got about 300 and may attract about \$2.1 billion of the Defence procurement dollar annually.

And I think, thirdly, it will be that we get the balance right, and this is a question of judgment, between buying offshore and paying less, or buying onshore and supporting, in particular, regional communities with our Defence expenditure, and then of course the performance indicators in export would be fairly obvious to measure.

That export unit, by the way, will have people from industry in it. It's not a 'we're from the Government, we're here to help you' type exercise, if you know what I mean.

Question

Frank (inaudible), Main Roads Queensland. Like many sectors, attracting people into your industry is a big challenge. Hearing you talking about the challenges in Defence going forward, two questions: what would the shape and nature of the defence forces be 10 years out? And what innovative mechanisms are you using to attract people to the defence forces and is it working?

Answer

Right, well in terms of the priorities, its not just borders, regional and global issues and alliances and things that go with it; it's also about people, capability, intelligence and discharging statutory financial obligations which Defence has not been particularly good at up until recently.

In terms of 10 years time, we'd like it to be 57,000 people, up from currently 51,500. That's permanent regulars.

How do we do it? I think Defence firstly needs to be a 21st Century employer. We're working pretty hard on that, and there were some announcements made just before Christmas in a billion dollar package and another \$2.1 billion package in the Budget recently announced.

I think we need to be much more flexible about having people going in and out of Defence into the private sector. We've also announced some initiatives to actually mentor, sponsor and pay for apprentices and trainees in the private sector who subsequently will come into Defence.

I've announced a gap year program for the 34,000 kids that are going off to be nannies and rugby coaches for 12 months, so they can spend a year in Defence, same training, entitlements, everything else as everybody else. That will start next year. That's a thousand a year.

We also want, and I've had a little bit of discussion with the Defence chiefs about this, but people that come into Defence need to have more control over their own careers. The posting cycle is far too short. Any of you - most of you here are in business – imagine running a business where you change key people around every two years. Hardly a prescription for pursuing and achieving excellence.

We also need to manage people out of Defence much more efficiently. There was a big package in the Budget this year for that. I think a lot of our people are panic buying their way out, they want to get back to Adelaide, South Australia, they're currently in Townsville, they panic buy a job. We're going to have professional people actually manage them out, and I think we'll actually, my estimate is that we'll on average keep people another two years if they know there's a professional safety net for them.

We've announced some initiatives for significant housing loan subsidies, pay restructures, bonuses, all that sort of business.

I've also impressed upon the three service chiefs, Chief of Navy in particular, that we need the capacity to sit down with employees, particularly weapons systems engineers, sonar technicians and a variety of people with those skills, and be able to say to them, what does it take to keep you?

We're currently fine with pilots, but it costs us \$15 million to train an F/A-18 pilot. We're doing really well with those guys at the moment, and hopefully in the future women, 10 years time. But we need much more capacity to do that.

And in recruiting, to cut a long story short, we're not spending nearly enough on advertising. We spent \$28 million last year, GMH spent \$70; Optus spent \$60; Ford spent \$60. We had 95,000 enquiries; five years ago we spent \$42 million on advertising, we had 153,000 enquiries. And also our advertising in recent years in my view has been mealy-mouthed.

It's 'Defence jobs'. Defence has got plenty of jobs, so do the companies and industries from which you come. People wear the uniform of the Navy, Army and Air Force because of the values that are represented by it. And the nature of the advertising that you'll see increasingly is about the values

represented by that Army Rising Sun and the symbols represented by the other two services. So that and many, many other things.

I also think we need a cultural change in our country where it is just as accepted to see someone actively promoting people to join Defence as it is to see people expressing their democratic right to say that they don't believe in Defence. You've just got to think about it. You know, we all walk down the street and we see people of all ages handing out all kind of anti-military material, and we think well, thank God we live in a democracy.

But how often do we see and what reaction would it evoke if we saw a group of people encouraging people, for example, to join the services? I'll just leave you with that thought.

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