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Royal United Services Institute of NSW
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Transcript of: **CONCLUDING PANEL SESSION**



AVM Bob Treloar (Chair):

Our Speakers have provided us with an in-depth consideration of our Area. (Both now, and for the next couple of decades.) As you would expect, our Speakers do not entirely share the same opinions, but I discerned a strong streak of commonality in what they were saying to us.

Speaking of differences of opinion, I have to say:

Alan [Ryan], I don't remember our conversation in Timor Leste... [Audience laughter]
- But I'm delighted you've changed your point of view! [Audience laughter]

This afternoon, the Panel has kindly agreed to:

- Discuss issues that you may wish to raise with them directly.
- Clarify any points in their addresses that you wish to explore.
- Take questions, in open forum, regarding the challenges of our Region.

This is your opportunity to address this Panel of distinguished speakers. Not often do many of us get this opportunity, so please make the most of it.

Ladies and Gentlemen, the floor is yours. - John Hutcheson, keeping with an old tradition within R.U.S.I., John always asks the first question... [Audience laughter]

QUESTION: Col. John Hutcheson: Well you've heard my name. I'm a member of the R.U.S.I. Council. I'm the "junior" member actually. [Audience laughter]

My question is to the whole Panel:

There is a strong view that, militarily, Australia must choose between China and the United States. My question is: what is your view on ***Australia's choice*** - and its impact on your respective countries? (I think some comment from the Canberra experts might also be in order.)

AVM Bob Treloar (Chair):

I think, Michael Shoebridge, you already addressed that?

Michael Shoebridge: I'm happy to say it again!

AVM Bob Treloar (Chair):

No, no - it was really well said the first time... [Audience laughter]
But I would invite our international guests to make a comment:

Prof. Richard Herr: My view was, as we said in the ASPI Report: if we're going to deal with the 'non-state threats' and the new challenges to State stability, economic affairs, etc. then China has to be brought onto the 'inside'.

The difficulty with China is (as its representatives in the Region explained to me) they're not good at multilateralism. They prefer bilateralism, where they have the edge in terms of the asymmetries of influence.

The way in which the Regional system can help take some of the *risk* out of these asymmetric relationships, is to actually have a China that has a comfortable relationship within a Regional process. - Where they're actually helping to:

- Control some problems that *their* people are causing
- Defusing some problems that *others* cause, for their people (as we've seen with the race riots in various parts of the Pacific)
- Add to the general stability

So I don't think it's 'either/or'. I think the Americans, by and large, would feel more comfortable if they found China more predictable.

AVM Bob Treloar (Chair):

Would any of the other national speakers wish to make a comment?

Prof. Damien Kingsbury: We Timorese are friends with everybody. [Audience laughter.]

We have no enemies, but it's probably worth keeping in mind that whilst Timor Leste has a good and constructive relationship with China (and intends to develop that), that a few years ago, China offered to build some radar arrays on Timor Leste's soil. (To help it detect illegal fishing.)

The East Timorese government looked at these plans and saw that they were very complex and very difficult to understand. So it talked to some of its friends about this. They realised that these radar arrays can detect shipping and submarines up to a range of a couple of thousand kilometres! - So it was possibly for more than detecting local illegal fishing! [Audience laughter]

So the government of Timor Leste said, *“Thank you very much, our good friends. We appreciate your generous offer. But this is more than we need, so we decline.”*

AVM Bob Treloar (Chair):

Thank you Professor Kingsbury. John McKinnon?
(- As long as you don't mention the All Blacks...!) [Audience laughter]

John McKinnon: I'm not sure the All Blacks had much to do with this... [Audience laughter]

I did touch on this a little bit in my presentation. My view is that it would be a complete *failure* of diplomacy on several counts, and of other things as well, if we were in a position where a choice had to be made. The *incentives* - to work constantly at finding ways of dealing with the issues which might separate China and the United States - are quite high. There are also countervailing forces, but don't underestimate the incentives to get this *right*.

We [NZ] are not passive actors in this. We, Australia and others can, in effect, contribute to it.

AVM Bob Treloar (Chair):

Thank you. – General? Any thoughts?

Maj. Gen. Rabuka: I thought the question was: *“What would we prefer Australia to do?”* - Whether it's better for us [Fiji] if Australia was aligned with China and got pallier with China; or *not* to get friendly with China.

For me:

- If Australia and China became more friendly; there is no change for Fiji.
- If Australia pulled away from China and went with America, there is still no change for Fiji. [Audience laughter]

AVM Bob Treloar (Chair):

Thank you General!
[Audience laughter]

Any other comments from the Panel?

Dr. Ron May: I did a paper for a certain Think Tank a while ago and made some comments on the issue of China. When it was published, I mentioned to one of my colleagues that I had quoted him in the paper. He came back to me and said '*couldn't find it*'.

- The comments on China had been taken out!

So let me say them now... [Audience laughter]

I think we have to deal with *both*. One of the difficulties of dealing with China is China's reluctance to deal with multilateral organisations. Whereas aid donors for Papua New Guinea (or other countries) get together to discuss strategies of Aid, the Chinese won't engage in this.

But Australia can't afford to sit aside and say who we do (or do not) want to deal with in the Region. We've really got to learn to talk to both and to avoid getting caught up in one camp or the other.

AVM Bob Treloar (Chair):

Thank you. - Richard?

Prof. Richard Herr: Just one supplementary to what John said. We can't forget that it isn't a choice *between* the US and China anyway.

The Japanese, the Koreans - a whole range of people, who are on the borders of China - have a profound interest in what China does in our region.

They are watching it. (And this is one of the things that struck me and I don't know if General Rabuka will agree with me or not...) If you look at how the Asian States have responded to the relationship between China and Fiji, they're not nearly as worried about it as we [Australia] have been.

And, in that sense, I think it is one of those little tripwires: *When* the Japanese, the Koreans and others start expressing the sorts of panic that sometimes appears in the Australian press, we might say there's some substance to it.

There are *other players* out there, whose interests are just as deep and just as significant as the US, or Australia, with regard to China's interest in the Pacific islands.

QUESTION: David Arundel: I'm an out-of-town member of the Institute and it's been great to be here today.

Major General Rabuka got me thinking more about *Fiji* than I have for a long time. The thing that hit me the most is that it's about 25 years since we have had 'normal' relations.

It seems to me that two generations of interactions between Fiji and Australia have been lost. I know we've all seen the 'moral high ground' and we've all hoped that something would happen, and nothing's happened. I wonder what the Panel could suggest, as ways of *mending fences*? (Because it's too important a strategic partner to leave out in the cold.)

AVM Bob Treloar (Chair):

Who wants to pick up that chalice?

Prof. Richard Herr: I somewhat disagree with General Rabuka that it's been "25 years".

- Certainly the OTC [Fiji Army Officers Training Centre] went through until 2002.
- There were Defence Attachés that convened 'Defence Attaché meetings' to discuss matters of interest.
- We know that the relationship with ADFA didn't finish 25 years ago, because so many young [Fijian] officers were kicked out of ADFA in the wake of the coup in 2006!

So it hasn't been quite that long, but the depth of feeling, and the difficulty of coming back, is much more significant. (Because of the 'hard heads' in Canberra who thought that the only way to get a General to respond was to '*beat him to death*'. That was matched by hard heads in Suva who were equally determined *not* to be beaten to death.) Both sides have become much more intractable.

Now, I haven't been through it myself, but I have friends who've been through Divorces... [Audience laughter]

(Yeah, you're right, I haven't got home yet...and maybe...) [Audience laughter]

I think the more bitter the separation, the more difficult the path back will be. Both sides have contributed to rubbing salt into the wounds. That is going to make repairing the 'marriage' vastly more difficult than over the past 25 years, where there have been on-again / off-again relationships. Generally, that hasn't lasted as long, or cut as deeply.

When you have the Sanctions regime against Fiji, which is more severe than against Robert Mugabe in Zimbabwe at his worst, you wonder where the relative balance is.

Jenny, you've said that the Prime Minister defaulted on his promises for elections. I was there; I don't think he's defaulted. I'd challenge anybody to show me exactly where Fiji has defaulted on a promise. It was a commitment that was made in the context of an expectation of the Tongan Forum meeting. (I was in the room when they came back and talked about these things.)

It was a general idea of what we should aim for in the NCBF [National Council for Building a Better Fiji]. When the NCBF started, and things started taking a little longer, they knew it was going to take longer. Against my advice, they did not go to 'New Way'. - And that was partially New Zealand's fault, John. [Audience laughter]

They decided not to go to New Way because they were so outraged at the way New Zealand treated them with regard to the post-forum dialogue. That was totally unwise, but it happened.

Some of these myths have become perpetuated; circulated as if they were true. We're building up grievances on both sides, which will make the path back much more difficult than it should be.

- But it needs to be started sooner rather than later.

AVM Bob Treloar (Chair):

Right of reply?

Jenny Hayward-Jones: I think the saving grace of our relationship with Fiji is that we haven't cut off people-to-people relationships. We still have hundreds of thousands of Australians going to Fiji on holidays every year. That's something that shouldn't be forgotten, because many of those Australians form enduring relationships. (I know that I have, since going on holiday in Fiji many years ago.)

The cut-off of 'official' relationships is not a death-knell to our friendship between Australia and Fiji.

There's certainly room for repair, yes. There's a lot of work to be done and the cuts are deep this time. The 'official' repair will be difficult.

Australia (officially) has been working on a premise that, "*Bainimarama eventually will go and we'll have a new set of personalities to deal with,*" but I don't think that's going to happen.

They'll have to reengage with Bainimarama. That's going to be the most challenging aspect of the post-2014 future. Still, there is a strong 'people-to people' basis; forged by:

- Tourism,
- Immigration to Australia,
- Two-way trade
- And some very strong business links with Fiji.

So that relationship is actually quite strong. In fact, stronger than with many other Pacific island countries.

QUESTION: Ken Broadhead: I'm an R.U.S.I. Counsellor and a grateful JSSC graduate [Australian Joint Services Staff College].

I think Jenny has already answered my question in part before I ask it. I note that she mentioned a priority, being Fiji's return to democracy and the rule of law, and then you referred to a "*Dictatorial Regime*" in Fiji. Now, I'm taking my entire family to Fiji in April... (24 people including a bunch of grandchildren.)

If I told my wife that *that* was the situation, she'd hit the roof! But that's ***not the case at the grassroots level*** is it? Do you think those statements are a bit too broad, as they stand? (The statement that the priority should be Fiji's return to democracy and the rule of law.)

Jenny Hayward-Jones: That's the Australian Government's statement that I reflected; from the National Security Strategy, it wasn't my own. That's what their expectation is, for a greater normalisation of relations.

Now, when you visit Fiji, you certainly don't see evidence of the results of the coup. You don't see evidence of a dictatorial regime. In fact, if you stay in the resorts or on the western side of Fiji, you probably don't see any military on the scene at all.

But, you can't get away from reality. This is a military government that came into power by dint of the coup. It remains in power *illegally*. - But it is the government of the day, so Australia's going to have to work out, after 2014 when an election is held (of whatever description), that they'll have to deal with the government of the day.

QUESTION: Doug Roser: Just to follow on from that, I'm the President of this wonderful Institute.

What you think Australia would do if there was a ***major natural disaster in Fiji?***

Maj. Gen. Rabuka: We just did!

Prof. Richard Herr: We had one.

Doug Roser: But I mean a really major one - would we just sit back and just do nothing?

Maj. Gen. Rabuka: You come! You've just been! You've just been helping!
[Audience laughter]

QUESTION: Geoffrey Ellison: I'm the Treasurer of the R.U.S.I., so I think you're all lovely people for coming. [Audience laughter]

One of the speakers suggested that in the future, when I'm having a barbecued steak, I should look over my shoulder, because 200 other people want to share my steak? My question to the panel is that I'm surprised that ***Food Security*** did not feature more in some of the presentations.

Some of the smaller countries will be losing arable land, as we know, for various reasons. Some of the larger countries would be growing [population] at such a rate that they would find it more difficult to feed themselves.

Hungry people start revolutions. After they've had a revolution at home, they tend to think abroad. I wonder if the panel could comment on whether, for example, in 'Phase Zero' planning, we think about Food Security?

Michael Shoebridge: Well as you know, I'm the one who said there'll be 200% more competitors for your steak, so yes, we do think about that.

I put it under 'resource scarcity' and 'resource competition' because food is a *resource*. We had an agricultural revolution in Asia with rice production, but the benefits of further productivity increases have really *levelled off* in the last 10 years.

We haven't seen that same level of agricultural productivity increase happen in the South Pacific. There is quite a bit of potential for that; in PNG for example. The point that I made about the growing population, about the demographics in the South Pacific, and about the rise of the middle class (in what it means for market responses and in pricing of food and other natural resources) should tell you. Yes it is in our minds.

You're right that these kinds of factors can be causes of instability. - In history they have been a reason for population movements.

All of these things are relevant to have in our minds, as we look at our Security environment.

So what do we do about that? Obviously, step one is to have sources of supply and markets operate effectively, but there will be effects on crops, through natural disasters and other things, and demand is obviously *increasing*. So part of this is what Alan referred to, about *resilience and prevention*, rather than waiting for the crisis to occur.

It is part of our future that we will see greater competition for a range of resources.

Dr. Alan Ryan: Wearing my 'Whole of Government' hat, I'd recommend that you have a look at the [AusAID website](#). People hear 'AusAID' and they tend to think of 'Aid', but in fact we're looking at *Development Aid*.

Australia's been in this game for a very, very, long time.

The food revolution: much of it (in terms of our involvement) was driven out of the University of New England, with this extraordinary Agricultural Research program that has been going on since the 1940s. That had an enormous impact throughout the Region, and internationally.

If you have a look at the many projects that AusAID are running, they get a lot of bad press. (I think often very unfairly.) Because when you're out there, doing Development Aid, some grain falls on "stony ground" and some doesn't. But you've got to be in the game; and those guys are very definitely '*in the game*'.

We have one of the most effective and largest Aid programs in the world.

Prof. Damien Kingsbury: Timor Leste has, historically, had what they call a 'Hungry Season'.

Right now, we would be in the middle of the Hungry Season...

- Where people, if they had one meal a day, were doing pretty well.
- Where people, in a bad season, would starve - in the thousands.
- Where malnutrition remained a constant.

The Hungry Season, and the consequences of a long drought, were one of the many factors that lead to the instability of 2006. People were desperate. The government that came to power, subsequent to that, has recognised that. It is actually now subsidising the price of rice. (Along with AusAID programs, the *Seeds of Life* program and so on.)

The provision of food and food self-sufficiency is absolutely critical to the survival of Timor Leste as a state. If they cannot manage their growing population and food supplies into the medium and longer-term future, this is easily the most overwhelming issue that the country is facing. (It would collapse, there's no question, and a government recognises that this is their single biggest challenge.)

The whole issue of trying to build the economy now, to secure resources, including those of the Timor Sea (about the oil infrastructure and so on) is about trying to head off this problem before they get there.

Timor is a very geologically poor country, the soil is 'Australian' [low nutrient] soil essentially. It's really not that good for growing things in. It's on mountain-sides, so when it rains, everything washes away. The real issue for Timor Leste, and its stability and security, is how do they manage this into the long-term.

Really, unless they can find a way of ensuring their long-term viability, by continuing to be able to import food, they will - mathematically and structurally - face an insurmountable crisis that will require *huge* international intervention. Now the plans are in place to not allow this to happen, but when we talk about Food Security, this is a place where Food Security is front-and-centre of their everyday existence.

Just a very quick anecdote: When Australia started to bring bright young Timorese to Australia for training, I had one of the first stay at my home for a few months. (He's gone on to do a PhD and other things; he's a great fellow.) But he'd never seen a steak before and he didn't realise that you could have pieces of cow in such proportions! That the whole idea of 'meat' is such a specialty. I went out once and said, "*George, you're welcome to anything in the refrigerator, we'll be back later on.*" - I came home and he's sitting at the end of the table with this huge grin on his face and this enormous steak on his plate, but nothing else! I said, "*Where are the vegetables?*" and he said, "*I don't need them, I had vegetables at home...*" [Audience laughter]

It really brings it home to an observer from outside, you see malnourishment on a daily basis; stunted growth in most of the population; malnutrition is still widespread; starvation (*not* to the extent that it was, but it still exists). These are drivers of instability. These are things that will change governments in very unpredictable and very dangerous ways, and which we are taking note of, through AusAID.

But we need to take note of how we arrange the division of resources sometimes, with some of our neighbours; to help them help themselves.

Prof. Richard Herr: I want to support Alan, because Food Security was part of the reason for the Pacific Patrol Boat program. – To preserve the fish for both income and ‘artisanal fisheries’ and so forth, in the Pacific islands - very important. The SPC [Secretariat of the Pacific Community] has been, for 60 years now, the principal ‘farm extension service’ in the Pacific islands. (Dealing with plant diseases, new plant varieties; a whole range of issues to help promote more effective food security.)

That’s one of the reasons why I’m such a fan of the Regional processes. It’s useful for the islands, in terms of evening-out the playing field, in terms of political relationships. It’s also a way of delivering services which larger States do within their own resources, but which the micro-states of the South Pacific have to have delivered to them, through regional mechanisms. (Which are a kind of professional extension service.)

I guess, General Rabuka, you would know this yourself: part of the reason for the internal ‘Look North’ policy, within Fiji, is for your island of Vanua Levu:

- Developing the land there,
- Opening the land-bank process,
- To try and get more land back into production.

(Partly to offset imports, but also to give people jobs.) It’s all related to that general issue of a more effective food security programme. That’s been one major focus for the government of Fiji of the last five or six years now.

QUESTION: Chris Skinner: I’m a member of the R.U.S.I., Vice President of the Submarine Institute of Australia, Member of the Australian Naval Institute, and Member of the United States Naval Institute...! [Audience laughter]

My question is really for Ms Hayward Jones of the Lowy Institute, but perhaps it’s more general.

I’ll just make a quick observation. Somebody showed the map with Australia in the middle and the surrounding hemisphere, and at the bottom of that was **Antarctica**. I would point out that Australia is actually on *three* oceans, and the Southern Ocean is just as important and just as big. - It doesn’t have so much land in it, but we have issues in that area. The Japanese are whaling down there; people are suggesting sending naval units, and so on.

Nearer to home though, the **North-West Shelf** area (which, by the way, is *exclusively* Australian economic zone, because it *is* a continental shelf; and that’s a

slightly different explanation of the dividing line with Timor-Leste), that's an area of great importance to Australia.

I'd certainly ask for the Panel to agree that one of our national interests is that the *Australian Economy is sustained*. That means the ability to exploit, on a reasonable and fair basis, our own resources in our exclusive economic zone and to be able to protect them. They are all part of our Neighbourhood, I would suggest.

The question is, do **multinational companies**, whether they be Chinese or American or Australian (as in Woodside) play a role in the things that are being discussed today?

AVM Bob Treloar (Chair):

Who wishes to tackle that?

Michael Shoebridge: Yes, I didn't have time to talk about Antarctica or the North-West Shelf, but I'm glad that you asked the question. North-West Shelf is part of the reason that we did the Australian Defence Force Posture Review, which was released last year.

The main focus there was this burgeoning economic infrastructure, up in that part of our exclusive economic zone. It is of great importance economically and there was a perception that we didn't have sufficient presence up there to demonstrate that this was Sovereign space and to demonstrate that we have the capacity to secure it.

There is a simple thing about critical infrastructure, which is that the *owners* of that infrastructure have the first obligation to protect it. Just like the oil refineries on land or the rail infrastructure, the owner-operators have a whole lot of obligations to make that safe and to provide for their own immediate security needs.

The Australian government and the State governments involved also have security responsibilities. The primary finding of this review, by former secretaries Rick Smith and Allan Hawke, was that there is a whole lot of Australian Defence Force presence and activity above the North-West Shelf. (Primarily focused on Border Security and to counter people-smuggling activity. Rear Admiral Tim Barrett will know a lot about that, because of what he's done in his career.)

That kind of activity:

- Patrol boats
- Major surface ships
- P3 Orion aircraft

Is *unseen* by the operators of this economic infrastructure, because it's in an umbrella doing something *beyond* that. - But it's still a statement of presence and control.

We've increased our relationships with the multinational companies that operate that infrastructure. We're working with them to reinvigorate our exercise programs, with people like our Special Forces, around counterterrorist missions. We've had the

Chiefs of Staff Committee (the heads of all the Services) go up to Karratha to meet with the locals over there. We're also engaged with the West Australian government around that, so you'll see exercising and training increase, without drawdown. You'll also see that we are keen to make known the levels of activity we already have up there.

Antarctica is governed by the Treaty. Australia is a treaty partner, we're a strong advocate of the Treaty. One of the key things about that Treaty is that we all commit to *not militarise* Antarctica; that's in everybody's interests.

The Madrid Protocol, which lasts into the 2040s, is again critical for an international commitment *not to exploit* the natural resources of Antarctica. The Treaty says that all treaty partners commit to ensure that Antarctica is preserved for the benefit of all mankind.

(In a very non-gender specific way!) [Audience laughter]

Our primary focus is to reinforce:

- The Treaty mechanism
- And the strength of the Treaty
- And the commitment of all those different claimants.

- We're very modest with our claim. We only claim 42% of the entire land mass. [Audience laughter]

Sadly, other claimants don't recognise all of that claim, but logic has a way of winning its argument doesn't it. [Audience laughter]

From a Defence point of view, we provide support, now, to the Australian Antarctic Division. (That is part of a romantically-named Department called "SEWPaC", which is environment and water). We may do more in providing them with transport infrastructure, but we do see our presence down there as a 'Civilian' presence. (That is, speaking of the Australian Government more broadly, in pursuit of our Science and Research activities.) But part of our claim involves us being able to have an active presence down there.

Talking about the EEZ [Economic Exclusion Zone]: well I think everybody in this room will remember the number of foreign yachts-people that we've rescued from down there. [Audience laughter]

Our Defence Force certainly has the capacity to conduct broad-area surveillance, and as demonstrated, successful interdiction and control of that space. That will continue to be the case, as we bring this broader, more capable, force structure into being.

Prof. Richard Herr: I put that map there as part of the Blamey Oration. It made the Coral Sea the centre of the hemisphere, and you can see how much of Antarctica finished up in our hemisphere. I wasn't doing it specifically for Antarctica, but it just had that happy effect.

QUESTION: Andrew Hine (R.U.S.I. member): Over the last 400 years, it was always, more or less, observed that for every English monarch, from Elizabeth the First onwards, the principal objective of Foreign Policy was trying to maintain a **balance of power** in Europe. The trick of course is trying to recognise what that balance actually looked like, from one moment to another, so that one particular power didn't have preponderance.

With reference to the Pacific (noting the relative rise in China and I guess the relative decline of the United States); what does the balance of power actually *look like* for the Pacific in the future? If Australia is prepared to deal with complexity, as a number of speakers suggested; what actions would we care to take, to perhaps **pacify our American colleagues** and to enable them to deal with their issues of complexity and (potentially) relative decline, if we are interested in maintaining a balance?

Michael Shoebridge: Historical analogies have some power, but they have a lot of limitations as well. People talk about the 'Concert of Powers' in Europe and they talk about European security structures. All of that was a product of Europe's particular history.

Asia's history is not Europe's history. Even the idea of a 'concert'; for those of you that have listened to Asian music, it's *not* a concert to European ears! [Audience laughter] This is what I mean about the limitations of analogies.

Another favourite of mine, which people fall into, particularly people who've worked on National Security for a long time, is that they start using 'Cold War' analogies. ("*Here's another Cold War, how are we going to do this? Let's think about mutually assured destruction and division of the world.*") The point I make to them is that the US and China are *not* the US and the USSR.

There is a huge difference (and a simple difference, but it means a lot for how this future environment is developing). The USSR and the United States of America during the Cold War were building *separate* global systems:

- They each wanted their own separate system.
- They each wanted it to be a global system.

The US and China are participating in a *single* global system. They're both prospering because of that single global system. The question is: how does that system adjust, as these power shifts occur? And it's not just a case of US and China power shifts, it's this rise of other power centres at the same time.

It hasn't been true, in history, that *four* major Asian powers have been strong *at the same time*. So this is not a 'bipolar' world that we're looking at, it's a multipolar world.

From an Australian point of view, that can be reasonably comfortable. We're a middle power; middle powers are good navigating amongst the currents of major powers. Well we have to become more adept at that, because the fact is there are more 'poles of power' to navigate amongst. It is quite clear that the Australian government policy, as set out in the National Security Strategy and the Asian Century White Paper, is that we have a common interest in a prosperous and secure region and globe. We seek our security *with* the region, in an Alliance framework.

So that's how we will proceed. I think there's a lot of commonality with ways we've managed things in the past. I'd just avoid cookie-cuttering historical analogies, for the reasons I've outlined.

QUESTION: Jim Bullard: I'm from Holsworthy Barracks. My question is for Ms Hayward-Jones. Your presentation briefly mentioned proliferation of WMDs, but you didn't actually talk to the issue at all. I'm just wondering what the Lowy Institute sees as the **major WMD threat** within the Region that we were talking about today?

Jenny Hayward-Jones: I did mention the proliferation of WMDs, but in the context of the Australian Government's National Security Strategy, and the eight global risks to Australian security that it identified. I went on to say that almost none of them apply in the Pacific. So I don't see a proliferation of WMDs is, at all, an issue in the Pacific Islands.

QUESTION: Michael Howe: I'm a retired Army Lieutenant-Colonel and a Professor in a Business School. I'd like to ask a slightly more sophisticated version of the question, "*Are we spending enough on Defence and justifying it?*"

We've had public comment from the Americans that they feel that our Defence expenditure is not sufficient at this time. If I could make a couple of linkages; I was struck by the enormous increase in Foreign Aid (the Budget figures that we were given). I was struck by the 41 Agencies that deal with what I'll loosely call: 'dealing with issues'. Whenever I deal with Defence, I'm struck by Defence Materiel Organisation, DSRG; this endless range of what I call 'Empires'.

If we were advising most companies, we would say, "*If you want to spend the same amount, please do more things with your investment. Or alternatively, could you justify the expenditure in a different way?*"

As we wind our military back, and we have a government (or an alternate government) that's got no discussion about increasing our Defence expenditure, have you got any ideas on how we can get a '***bigger bang for the buck***' that we are apparently spending?

New Zealand, for example, cut out a whole force structure. It could well be that we don't need 41 agencies, either supporting Defence or national disasters?

I have a son serving in the military and, I can tell you, in operational terms, these guys are hurting very badly. It seems to me that in a political environment in which were *unlikely* to increase the public Defence expenditure figure, do you have any suggestions for how we do this a bit 'smarter' - and achieve the same outcome?

(I appreciate that some elements of my question would be like asking the New South Wales Parliament to vote itself out of existence.)
[Audience laughter]

Michael Shoebridge: Well who knows - maybe I'll surprise you!

The first point I would make is that the Australian defence budget is continuing to grow. The "*\$5.5 billion reduction*" was a reduction in *planned* growth. There's still growth there.

In fact, over the forward estimates, there's \$5 billion of real growth in the Defence budget. At the moment we're spending about 26½ billion dollars, this financial year, on Defence, plus supplementation for operations. (In the last few years, that supplementation has ranged between about 1 to \$1.8 billion, for the net additional costs of operations.)

As a matter of empirical fact, when people talk about 'cuts', they're talking about cuts to the levels of planned growth. When you compare us with our partner defence organisations in the EU and the US - when they say cuts they mean *cuts*. (In the UK: 20% cut; in the US: \$487 billion out of its defence budget over 10 years. Admittedly that's from a base of over \$540 billion per annum, but \$487 billion, as someone said the other day, "*If that keeps happening, it amounts to real money!*")
[Audience laughter]

We are growing the Defence budget. Now, whether or not it is growing as *fast* as people would like it to grow, is a whole separate debate. I'm from the Defence organisation; you don't often hear people from an organisation arguing that they should have less money, and I'm not going to do that. [Audience laughter]

Do I have ideas about how we can get more effectiveness out of Defence budget? Well, the kind of thing, when you look at budget issues, is: do you grow the top

budget? If you can't grow the top budget, what to do about the balance of your investment (which is partly behind your question).

A simple thing people think about is, "*Let's cut large chunks of the force structure.*"

Well, it's a very big organisation. It's got three major elements of its budget:

- Capital investment
- Operating costs to run the force and the organisation
- Personnel costs

The answer lies in optimising that budget balance. In history, look at what smart organisations (not just Defence organisations) do when their op. tempo goes down. They use that as a time to *modernise*, to increase their capital investment. The bigger issue is what happens with that internal budget *balance* between personnel, capital and operating. The smart thing to do as operational tempo goes down is to increase the *proportion of capital investment* and modernise the force.

Dr. Alan Ryan: Supporting everything that Michael says, you then expand that out to see it as a 'National Security' budget. A few years ago, the then National Security Adviser, Duncan Lewis, did, for the first time, an extraordinary exercise of coming up with a National Security budget. (Which didn't actually have Defence spending in it, because we had a fairly clear idea of what we were doing in Defence spending.) One of the issues that we had was that we weren't actually quite sure, across government, how and what was being spent on National Security, broadly stated.

We've got a much better idea now. One of the things we are doing a lot of work on (and my Centre was established to do) was to look at not only how we could do work *better*, but how we could look for *efficiencies* across Government.

- So that we weren't replicating skill sets across government and that, when we did overseas deployments, whether for humanitarian assistance or conflict, that we weren't replicating skill sets in different *parts* of government. - Which we're potentially liable to do.

Look at the United States, where you do see massive replication. They're really struggling with that of the moment. In a much smaller sense, we *are* looking for efficiencies.

QUESTION [Stephanie]: I just wanted to shift attention now to Regional organisations in the Pacific, which haven't been much discussed. The Pacific Islands Forum has been mentioned (which used to be the major organisation in the Pacific, and still is, in some ways).

The question I want to ask Prof. Richard Herr, Dr Ron May, Ms Hayward Jones and General Rabuka is what is the **future of sub-regional organisation** in the Pacific? By sub-regional organisation, I mean the Melanesian Spearhead Group and Polynesian Leaders group. (There's also a Micronesian group, which we won't go into in detail, because it is not really within the sphere of activity we've been talking about today.)

Sub-regionalism, some people believe, is undermining our Regional politics in the Pacific. In a wider sense, there are proponents of a single regional organisation. Richard Herr might have something to say on that? - I just wanted the Panel's general views on the future of sub-regional organisation and whether, in fact, it is undermining the broader regional organisations? (In which Australia and New Zealand have a lot more influence. Australia and New Zealand are not members of these subregional organisations. So perhaps that's a way for Pacific islanders to bypass Australia and New Zealand to some extent?)

Prof. Richard Herr: Thanks Stephanie, I know you weren't here this morning, but that's actually what I did talk about. I'll just mention the other subregional groups for you. On the importance of it: I don't think any of the other ones are actually sustainable, except for the MSG, on its own resources. If you look at the PNA [Parties to the Naru Agreement], that it is having the same effect in undermining the FFA, the broader fisheries body, by concentrating on those countries that have the resource and want to work together more effectively.

In other words, the whole of the regional system is fracturing. - In part, because of this.

The Polynesian arrangements, *Te Vaka Moana* and so forth. - Totally unsustainable, without New Zealand bankrolling it, and it won't survive. - Well, even China [bankrolling]; there's not anything there for them, other than buying a few votes, if they want.

There is the challenge there, which *significantly* undermines the Security Community concept that Australia has built up over the years, of being an '*insider*', inside the Region. That's been an unfortunate development.

QUESTION: John Leece [R.U.S.I. Member and Principal Sponsor of the Dialogue]: A lot has been said about China. We see them investing strategically all around the world, (particularly Fiji, PNG, and Timor Leste, in our region) and then Australia hedging its bets. We've had military exercises commencing with China. We've now allowed the US, since then, to establish a base in Darwin. Do we see **China establishing a base** in Fiji, Papua New Guinea, Timor Leste, or even

Australia? And what will our reaction be? Will we just sit back? Would we regard it as a severe threat? Or is this something we can do nothing about?

Jenny Hayward-Jones: I don't think China's about to set up bases in Fiji or PNG. (That is a rumour that you hear in the Pacific roughly once a day!). [Audience laughter]

I don't think it's about to happen; for the following reasons:

- I don't think China has a grand design to unseat US/Australia's strategic primacy in the Region.
- I don't think China has an interest in being the major military power in the region.
- The Pacific is not important enough for them. They've got of a whole slew of other problems domestically, for a start.
- And then in East Asia.
- And then with their relationship with the United States.

They're not about to start a problem in the Pacific. It's just not worth it.

I'm not sure what purpose a base in the Pacific would serve for them at the moment. (That could change. The strategic environment could change over the next 50 years, but I don't think it's going to happen. If it *did* happen, Australia would be affronted, but they would know about it enough time to put in place various measures to ensure that perhaps it didn't happen.)

I don't think China has an interest in putting Australia's nose out of joint, either. Its relationship with Australia is very important; its relationship with the US is important. The Pacific's not worth risking those relationships for.

Michael Shoebridge: I just wanted to clarify that it is *not* a fact that the US has bases in Australia. (Or that the US has established a base in Darwin.) What *is* a fact, is that we have, for a long time, exercised with US military (including in Darwin). All we are now doing is having a greater level of 'exercising' and rotation of Marine Corps personnel through Darwin. It is not a qualitative difference to what we've done before, it's a quantitative difference in the level of activity.

On other countries establishing bases in other parts of the world: countries do communicate about these things. We do have clear communication with China about our interests in the Pacific. They understand those interests. They communicate to us about their interests and I personally, and professionally, don't think that there is an imminent prospect of them establishing a military base in the South Pacific.

John McKinnon: I don't think there's any particular pattern which would suggest that the South Pacific is on the front line of China's strategic interests. It has major interests in many other parts of the world. In this part of the world, most of its major interests are tied up with Australia and with New Zealand. That's part of the way that they think about the Region. What is true though, is that China is certainly (as every speaker has referred to) *increasing* its presence and footprint in the Region.

What that means for us is that we have to find ways of communicating and having dialogues and discussions with them. In fact that happens. The Chinese don't always operate in the modes that we necessarily do (or are comfortable with), particularly in things like Development co-operation. There are still ways in which we can have these sort of discussions with them.

Prof. Richard Herr: Just coming back to one of points that Michael made about the 'Cold War mentality'. It isn't necessarily [only] Western powers that have Cold War mentalities. I know that in talking to some of the Chinese over the years with regard to their role in the South Pacific, they do see, sometimes, the image of an attempt at 'Containment'. They do see that there is a 'northern anchor' to Western interests in Guam (in the Northern Marianas). They were concerned that Darwin *might be* seen as southern anchor.

They did make a mistake of trying to pre-position some naval equipment in one of the Pacific islands. It was probably a mistake; they certainly got rid of it, fairly quickly, once it was revealed. But it also indicated that they wanted to make port visits through that "open area" between the two "anchors" of what they saw as the American pivot into Asia, and keep it open.

My impression is that it was a mistake, but it is also (as Michael was warning, about using a Cold War mentality from our side) a mistake to think about 'containing' China. - There are some people in China who see Cold War mentality, and then respond to it in ways that may be inappropriate!

It is important, I agree with John, keeping the lines of communication open. There are concerns (and New Zealand raised them) with the huge level of debt to China in Samoa and Tonga. People focus on the Chinese connection with Fiji, but it is not nearly as significant, in proportional terms, as the other two Polynesian nation-states. (Their indebtedness to China for its aid.)

It is a complex situation. There is some advantage to us in helping China find a way into an effective multilateral Regional dialogue, to try and avoid some of these errors of judgement.

Prof. Damien Kingsbury: We Timorese, who are friends to everybody... [Audience laughter]

...Are sensitive to the concerns that have been expressed by the United States and Australia in regard to China's positioning. I've had those discussions with different officials and I know that they're very real.

Timor Leste is not about to allow itself to become a pawn in anybody's strategic game. Simply because it's already had that experience, and it suffered very bitterly because of it. It *is* in a position where it has to strike a balance between numerous powers. It finds its best sense of security by positioning itself *between* those powers, not with any particular power. It certainly would never allow itself to be aligned in any way that would ultimately compromise it. (And to see its future compromised.) So you can read into that what you will, but I think it's fairly obvious.

[Question from the auditorium: "With the Woodside contract being cancelled this weekend, is there any chance of a Chinese company getting the gas contract?"]

The Woodside contract wasn't cancelled, it lapsed. The Timorese government now has the option of cancelling it. (Which it may exercise at some point.) A few years ago, the Chinese government went through one of its phases of being very generous to Timor Leste. The Timor Leste government said, "*Thank you very much, we appreciate your friendship!*"

And then the Chinese government said, "*Now we would like some oil concessions...*"

The Timor Leste government said, "*Oh, terribly sorry, they're already sold or leased.*" So there have been moves in that regard. There is some Chinese exploration onshore, I believe, but it's tiny by comparison. It was really a small gesture rather than anything of substance. All of the identified areas of oil and gas (the leases) have already been taken. There was no room, unless Woodside was to sell its leasehold to a Chinese company - which it theoretically could do.

QUESTION: General Gordon Maitland: I'm a (very!) old soldier. [Audience laughter]

I was President of the R.U.S.I. about 30 years ago. The question I have is probably better suited to the Treasury, so if no-one here is qualified to answer, then I'm quite happy to sit down.

Everyone has painted the picture of Australia - an optimistic Australia, an economically sound Australia and a benevolent 'father' to everyone.

People don't like the words in our National Anthem: "*Girt by Sea.*" But all it means is that we've got responsibilities - North, South, East and West.

And we've got these responsibilities at home. Despite the encouraging words I've heard, the Army at the moment is in worse condition than when I was on the Military Board. Our hospitals; you've only got to pick up the newspaper to see what's wrong with them. The universities want money; research wants money; everybody wants money - and were not providing it. Eventually, the benevolent father will **stop being benevolent**.

- I don't know when, but I really don't think it's very far distant.

AVM Bob Treloar (Chair):

Let me echo that question... [Audience laughter]

Michael Shoebridge: I don't think that the Treasury has made any secret of what their answer would be to your question, because they've been publishing those inter-generational reports for some time now. Their main point is that, given our:

- Ageing population,
- Our need to invest more in education
- Our need to renew national infrastructure
- And the growing costs of providing the level of health care that our population expect

...There is continued long-term pressure on Commonwealth revenue to meet those demands. Then you add the National Security demands on top.

The Treasury are mathematicians. When they add things up, they find that there's a *gap*, out over the coming decades. The pressures that they see are *rising*, across all of those fields of expenditure. That's leading to that national debate about 'Productivity', and also about the relative priority of all these different spending areas.

That's going to be a national debate that is going to run for decades. From a Security point of view, we are in the fortunate position of not having *direct threat* to Australian territory. That obviously is a factor in broad public thinking and government decision-making. (I think that's an appropriate factor.) Speaking as someone who is a part of the Australian community well as a member of the Defence organisation, I understand those competing priorities.

The answer is that broader issue of 'Productivity'. I think some of those sources of pressure can be overstated, for example an ageing population. (I expect to not draw down on my superannuation until I'm much older than I am now. Even though I could have had an expectation, in the past, to have drawn on it much sooner.) We are going to live healthier, longer, working lives. We're not going to be that drain on the broader Commonwealth budgets; that's one simple example.

Another other one is the 'multiplier effect' we get out of investing in Education. Yes, it's a cost, but it will deliver net national benefit to our future wealth.

These are some things that affect that inter-generational analysis. But the fact is that we can't commit to future spending that we don't predict we'll have [the revenue for]. We have a difficult national debate to balance those pressures, over a long period of time. (So I'm delighted that I'm not working in the Treasury.) [Audience laughter]

QUESTION: David Furlong: I'm a private citizen and member of R.U.S.I.

Mainly to Dr. Ron May, General Rabuka, Dr. Alan Ryan and Jenny Hayward-Jones.
- Not against the wealth of Australia, but the other way.

With Dr. Ron May's speech this morning - a phenomenal speech about a wonderful place, Papua New Guinea. It appeared, to me, like something of a '**basket case**'. I'm not going to reiterate all the [problems] that you told us, but surely General Rabuka has got a problem in his country, Fiji? It appears our government have some problem there.

But why wouldn't we have someone *strong* in Papua New Guinea, to take a bit of [control]. What are we [Australia] doing about it? Why aren't we fixing both problems, with the help of Jenny's [NGOs] and of course Alan's 41 [Security] Departments, I'm sure we could do something. I'll throw it open. [Audience Laughter]

Dr Ron May: If we knew what to do, we would have done it. [Audience laughter]

Somewhere I've quoted Sean Dorney, who said, "*One of the problems in Australian policy towards Papua New Guinea is that so many people, who don't know much about Papua New Guinea, think they have the solution to Papua New Guinea's problems.*" [Audience laughter]

We continue to churn out (...I won't mention Institutions or Departments) publications by people who've spent a couple of weeks in Papua New Guinea; who talked to a few people at the ANU; and then come and say, "*This is what we should do, to sort out Papua New Guinea!*"

Those of us who have been working there for a long time, and have seen most would-be solutions come and go, are more sceptical about this. You didn't quite ask the question, "*What we should do?*", so I'm not going to try and answer it!

But as to why strongman hasn't come along, that's an interesting question. For years I've been saying that a coup was *very unlikely* in Papua New Guinea.

- Partly because, if the elected government can't run the place, then the Defence Force of 2000 people are going to have even less chance! [Audience laughter] They might be able to take over institutions in Port Moresby, but what goes on in Highlands, Mount Hagen for example, is beyond them. So that's the answer to why some strongman doesn't go in.

The reason why we *haven't* achieved more: is that a place like Papua New Guinea, with quite a large population (a population that's rising very rapidly, in a country where the "2050 Vision" doesn't even mention population policy... Who once *did* have a population policy, but never set up the Population Committee in the Department of Planning; never had a meeting; eventually dropped all the targets that had been set up...)

...A country that is facing these problems and *very fractured*. Don't forget, parts of Papua New Guinea had no outside presence until the 1950s. People leapt from very little contact (and without being patronising, basically a Stone Age economy) to, within a generation, the people who are running the schools, the Defence Force and their Members of Parliament.

What we have had (in the minds of a lot of the people who'd thought they'd '*fix it*') is, "*Set up a State.*" Aha! - Once you've set up a State, well, the State 'does things'.

So why aren't the States 'doing things' in PNG and the Solomon Islands? I think the answer is that there was no *tradition* of a 'State' there. There was a fairly short Colonial period, where a State did exist (with a lot of money from Australia). That's not really been very sustainable.

We have a constant breakdown in the delivery of public services, because the State, at the centre, doesn't really relate too well to the provincial governments, and to the local level governments when they get down there. If the money *does* get down to the local level government, the *experience*, in using that money wisely, is not there. There is still a lot of inter-group fighting going on.

In the longer term, I don't see this changing very rapidly. I've seen a lot of very bright young people come through Australian universities and go back into senior positions in government and eventually more or less throw their hands up. - There have been some very good people too, throwing their hands up. (Luckily, some of them don't throw their hands up.)

I don't think there is any easy answer to how we could do this. I don't see any group of people who's going to go up there (I can't see any group of Australians who's going to want to *go up* there) and try and sort it out. I don't see any possibility of a 'strongman' leader emerging who can hold it together.

In Papua New Guinea, as in a lot of other countries, we're going to continue to see a fragmented effort to try and move along, with things improving in a number of

directions and possibly sliding back in other directions. In the very long run, hopefully we will see a forward movement, but it ain't going to come easy!

QUESTION: Desmond Woods [U.S.I of the Australian Capital Territory]: A very quick factual question for Ron May: Given the level of trans-migration from archipelagic Indonesia into *West Papua*, in a true 'act of free choice' (in which everyone in that territory got to vote for continuance of Indonesian colonial rule *or* independence) what would be the result?

- And if the result is that the majority would vote for Indonesia, does that extinguish all hopes forever of any kind of autonomy or lessening of the fairly oppressive rule from Jakarta?

Dr. Ron May: Damien might like to buy in on that one, too. I'm not optimistic about the prospects. There has been a very high rate of in-migration, as you suggest. It's got to the point now, where the balance between Melanesians and non-Melanesians is getting towards equality.

It also means that a lot of Muslims have come into a predominantly Christian area. The International Crisis Group (Sydney Jones) has been suggesting that religious tensions are building up. That's going to be another source of friction.

What would happen if the place would become independent? (And I see it as an extremely remote possibility.) You would clearly have some of those problems. I imagine that some of the people who are currently occupying the small trading positions (almost all non-Melanesians) might migrate out, if there were some violence.

You would have continual conflict. Not only between the various West Papuan groups (you'd probably see the same inter-group fighting we see in Papua New Guinea, which is in West Papua already) but also conflict between the in-migrants from other parts of Indonesia and West Papuans. But, you would see, certainly, more West Papuans taking over significant positions in government, which is one of the things that hasn't happened so far.

Prof. Damien Kingsbury: The ratio between Melanesians and Malays is about 60/40; 40% Malay. The transmigration program, which led to that, officially stopped about two and half decades ago, but there's been normal unregulated migration since then. The Melanesian West Papuans, if they were to vote on independence tomorrow, would probably vote about 65% in favour of independence. Which means you'd end up with something less than a 50-50 split, which is not enough.

- a) It's not a majority. (Rule of thumb for plebiscites on independence means you need at least 75% to make it work. If you do not get 75% you end up with a residual body who are going to destabilise the outcome and often derail the final outcome. I learned this in East Timor, but I've since done comparative studies of other cases. It's absolutely true that you need not just a majority, but an overwhelming majority, and that is not the case [in West Papua]. There are a lot of Melanesian West Papuans who are very 'Indonesian'. They feel Indonesian. The last person who deported me from Indonesia was a West Papuan! [Audience laughter] (In Jakarta, I might add; he was an official. - He was as Indonesian as they come.)
- b) The composite group of 36 pro-independence organisations (one of which is the O.P.M., which is divided into two very significantly distinct factions) have largely united now, under the '*West Papua Coalition for National Liberation*' - an umbrella group. - They actually don't want independence, despite the title! What they've subsequently said is, "*We know we're not going to get it. What we want is proper autonomy. We want essentially what Aceh got in 2005 and are we want to negotiate over that.*" The problem is that the government in Jakarta no longer has the capacity to negotiate. Yudhoyono, the President, wants to negotiate; [but] the legislature would crucify him if he did so. His successor is going to be *less* likely to negotiate than [Yudhoyono] would be, and have less capacity. I talked to some leaders of this organisation a few weeks ago and they said, "*It's off the agenda.*" - They need to raise the human rights issues to get the international community to put pressure on the Indonesian government to try to redress some of the imbalances, and to implement some aspects of the existing autonomy arrangement. (Autonomy in name only.) But they recognise in practical terms that they're not even going to get a vote on 'proper' autonomy, much less independence.

AVM Bob Treloar (Chair):

Thank you Damien.

Ladies and Gentlemen, that brings to a close the Panel Session of today's Dialogue. Thank you to the members of the audience, for your attention and your perceptive questions. On your behalf, I'd like to thank the Panellists for their very professional, open, frank and detailed responses.