

Weasel words on defence

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Defence Minister Stephen Smith has called reports of US concern about Australian defence spending "a nonsense", and drawn attention to US Defence Secretary Leon Panetta's own defence austerity measures. But US concerns are real, and comparisons between shrinking US and Australian defence budgets are very misleading.

The US defence budget of \$700 billion annually will be cut by \$500 billion over the next 10 years, and potentially that much again if sequestration is triggered early next year. Australia's annual defence budget of \$26 billion was reduced by 10.5 per cent in this year's budget. However, Australian defence cuts start from a much lower baseline.

US defence spending increased from 3.1 per cent to 4.7 per cent of GDP between 2001 and 2011, chiefly due to conflicts in Iraq and Afghanistan. Australian defence spending hovered at 1.8 per cent of GDP in that period. Defence austerity measures mark a return to normal spending levels for the US, whereas Australian defence spending is now at a lower percentage of GDP than in Fiji.

Smith said in a speech at the Lowy Institute on August 10 that he would prefer defence spending to be closer to 2 per cent. That would require an extra \$6 billion in annual funding, an amount fatal to Labor's promise of a budget surplus in the 2013 budget. Most experts believe that 2.5 per cent of GDP is the minimum amount Australia needs to invest in a credible defence capability to underpin our ambitions.

The need for a fully funded defence budget is also greater here than in the US. While the US has re-equipped and modernised most of its military forces over the last decade, the Australian Defence Force has not. For that reason, only three years ago the Rudd government declared a need to spend an additional \$130 billion modernising the Australian Defence Force.

And in Australia's own region, strategic competition is creating uncertainty and driving increased military expenditure. China's military spending continues to grow at 11 per cent, and growth in Indian military spending peaked this year at 17 per cent. For good reason the only part of the US military likely to be quarantined from defence cuts is the Hawaii-based Pacific Command, with responsibility for the region that is Australia's backyard.

But the key difference between Australian and US defence restraint is that US administration figures speak candidly about the consequences, whereas Australian officials do not. Since May the government has promised that the defence budget cuts will not have an impact on the ADF's current operations in Afghanistan and elsewhere, but it is Australia's ability to contribute to future military operations that is causing concern.

In conversations I had across the US last month, defence experts inside and outside of the government queried the credibility of an Australian Defence Force funded at just 1.56 per cent of GDP. And in this country, every defence expert believes that the government's defence aspirations cannot be met at current funding levels.

Two weeks ago the Chief of Army cautioned that "the current straitened fiscal climate poses a very real risk to the army's approved plan for development". In August the then secretary of the Defence Department, Duncan Lewis, said, "as things stand I don't think we are structured or postured appropriately to meet our likely strategic circumstances in the future". Peter Jennings, until early this year responsible for strategic policy in the department, writes that US defence experts "think we are off the reservation on strategic policy right now".

In the past decade, Australia has contributed to the ANZUS military balance by making small contributions of troops at the tactical level and deploying political support for US operations in Iraq and Afghanistan at the strategic level. As the US rebalances attention to Asia, the importance of Australian political support will fade.

The US has many allies and friends in the region, and possible Asian conflicts will be driven by core interests and events rather than consensus and coalitions of the willing. The military balance of ANZUS is shifting, and Australia's defence capabilities on our own territory and in our own region will be more rigorously assessed by our most important security partner.

Despite mounting scepticism, our Defence Minister sticks to the talking points that nothing has changed in the alliance. But if a frank conversation about Australia's defence capabilities and strategic policy isn't looming at this week's AUSMIN talks in Perth, then it should be.