

Optimising the Australian-US Strategic Partnership for 2015

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In November 2006, the Kokoda Foundation organised a 'trilogy' of events to discuss the future challenges and opportunities for the Australia-United States strategic relationship under the theme of 'optimising the Australian-US strategic partnership for 2015'. The 'trilogy' commenced in Canberra on 2 November with a Closed Workshop on next-generation combined operations and a public Seminar-Dinner held at Old Parliament House. Discussions continued in the inaugural Kokoda Dialogue held during 3-5 November, at Sutton Forrest in the New South Wales Southern Highlands. Participants in these events included senior military officers, diplomats and officials, in addition to other experts, from both countries. This report provides a synopsis of the proceedings of the Kokoda Dialogue and the Closed Workshop. It identifies the main assessments and conclusions derived from these forums.

The State of the Relationship: Features and Perceptions

The Australian-US strategic relationship is closer and more intensive in its linkages at present than at any time since the Second World War and the founding of the ANZUS alliance in 1951. A recurring comparison during the Dialogue was made between the contemporary relationship and that which existed during the 1980s. Two decades ago, the alliance was also close, and had been strengthened by initiatives aimed at creating a more 'practical' relationship. Yet it was constrained by concerns about divergent strategic priorities and by significant domestic political challenges for the alliance within Australia. This comparison illustrated how the relationship has been reinvigorated in the intervening years. However, it indicated also how an otherwise close and strong relationship could suffer significant friction if divergent interests and policies cannot be managed. Major tensions or disputes are unlikely at present, but potential triggers for friction in the future were identified.

HOW CANBERRA SEES THE RELATIONSHIP

Australian perceptions of the strategic relationship with America combined traditional views about the necessity of 'great and powerful friends' with a sense of confidence that the alliance's recent peak marks the beginning of a qualitatively different relationship. As one senior Australian official stated, there is an increasing sense that alliance cooperation has moved from 'working together' to 'genuine connectivity'. It was emphasised that, although the Australian-US relationship has benefited greatly from top-level political cooperation and commitments, its recent enhancement had been consolidated by the development of connectivity at the operational and 'working' levels. There was cautious optimism about the potential for the

relationship to be expanded to portfolios other than defence. As such, the current relationship benefits from interlinking top-down and bottom-up dynamics, which is a critical factor in its long-term sustainability to 2015 and beyond.

Australians reiterated the long-standing assessment that the benefits of the alliance continue to outweigh its costs despite increased defence and diplomatic commitments. They observed that Australian defence would continue to rely on US support in a number of critical areas and that the relationship would be important in Australian Defence Force (ADF) modernisation through to 2015. In terms of Australia's capacity to contribute militarily to the alliance, it was emphasised that Australia's new defence planning guidance envisages significant ADF contributions to combined operations from the full spectrum of capabilities.

This largely positive Australian perception was qualified by concerns about divergent interests and capabilities, and how effectively a more intensively connected relationship can be managed in the future. Some long-standing anxieties continue regarding the disparity of power and capabilities, and the potential for American neglect of Asia-Pacific security due to competing global commitments – particularly those in the Middle East. However, many Australians focused on the problem of managing a highly complex relationship. Alliance management is a demanding task for Canberra, given the relative scale of the US government, military and business entities that it must work with, and the pace of American developments in policy and technology. Such management requires skilful political guidance and a capacity for flexible policy planning and responsive policy implementation.

HOW WASHINGTON SEES THE RELATIONSHIP

Americans at the Dialogue also expressed highly positive views about the relationship, and they were confident about prospects for further enhancement and refinement. It was observed that the Bush Administration is pleased with the reinvigoration of Australian-US strategic relations in Australian foreign and defence policy. In particular, Washington has been reassured about the future of the relationship by Australia's rebalancing of its diplomatic priorities towards alliance commitments and its defence strategy towards global security interests since the 1990s. The perceived shift from a regional alliance to a global alliance was seen as a fundamental step forward. Appreciation of Australian support in the War on Terror and the conflict in Iraq was reiterated throughout the Dialogue.

American participants also acknowledged the value of Australia's leading role in the stabilisation of the Southwest Pacific and the engagement of Southeast Asia. This was seen as a model example of how US allies could assume greater strategic responsibilities in their own regions while maintaining global security commitments. Furthermore, one American observed that there is greater sensitivity in Washington to the long-term

implications of state fragility and failure. This has mitigated the American perception that Australia's emphasis on its immediate neighbourhood was a misguided, parochial preoccupation.

American perceptions of the relationship stressed that the United States valued Australian military and political contributions to the alliance. Such contributions had become more important due to friction or constraints in other long-standing US alliances. Yet American participants suggested that Australians too often underestimated the tangible and intangible value of their contributions. Other valuable features of the relationship from an American perspective included the high degree of trust, the relative ease of communication and cooperative decision-making and the relatively modest costs of management. In these respects, the Australian-US strategic relationship is seen as offering a degree of stability, contrasting with the less certain post-Cold War dynamics of US alliances in Europe, East Asia and the Middle East. Yet Washington is not complacent about its future ties with Canberra, as discussions on the risk of divergent interests demonstrated.

Where Will Australian-US Interests Converge and Diverge?

Convergent interests are the essence of any successful alliance. The closeness and enduring vitality of the Australian-US alliance, despite changes in the international system and the security environment, signifies a high degree of convergence in fundamental interests. Yet the Dialogue also identified divergent dynamics in the relationship.

CONVERGENCE

Although the Dialogue emphasised recent developments and new opportunities for the bilateral strategic relationship, participants stressed continuity in its underlying rationale. A concise categorisation of convergent Australian-US interests, featuring three major 'pillars', was proposed:

1. Common interests in the strategic stability of the Asia-Pacific, and the maintenance of an open, interdependent regional economic order;
2. Common interests in countering 'Twenty-first Century threats' such as terrorism, the proliferation of weapons of mass destruction (WMD), state failure, transnational crime, and other threats;
3. Common liberal democratic values and interests in the preservation and expansion of a global liberal political-economic order.

There was general agreement that these broad interests would remain central to the relationship in 2015. One senior American official suggested that the rationale of the alliance was shifting from regional security to the 'defence of systems', encompassing a diverse range of interdependent

political, economic and security interests at the regional and global level. This concept received in-principle support from Australian participants. At the same time, however, it was stressed that Asia-Pacific security interests are an Australian priority and remain central to the alliance. The Dialogue emphasised the need to strike the right balance and avoid a major 'regional versus global' dilemma. Such a dilemma will become particularly difficult to manage if Australian capabilities – both military and non-military – are unable to keep pace with the breadth of commitments envisaged in 2015.

Overall, the discussions during the Dialogue indicated a strong degree of Australian-US convergence on East Asian security issues. Attendees saw cooperation with Japan and Association of Southeast Asian Nations (ASEAN) states as a particular area of opportunity for the future. The success of the Trilateral Security Dialogue (TSD) between Australia, the US and Japan was seen as a model for building on the 'mutuality' between regional security relationships. By comparison, it was agreed that more could be done to enhance regional security cooperation and advance 'capacity building' in Southeast Asia. Australian-US strategic cooperation in Southeast Asia will benefit from a convergence of interests and initiatives, but also from bipartisan political support in Canberra for an active regional role.

OPPORTUNITIES, RISKS AND 'WILDCARDS'

There was considerable debate regarding China and whether Australian and US policies towards it would be characterised by convergence or divergence. It is often asserted that Australia's deepening economic linkages with China are likely to cause divergence as America balances against Chinese power, particularly in the event of a future Sino-US conflict over Taiwan. Yet one of the main themes that emerged from the Dialogue was the relative optimism – albeit carefully qualified – of senior American participants regarding the prospects for future relations with China. This 'vigilant but relaxed' view was explained in the context of the 'responsible stakeholder' concept and the Bush Administration's relative success in engagement with Beijing since 2001. Contrastingly, some Australian attendees offered pessimistic forecasts and emphasised the limitations of the 'responsible stakeholder' concept.

Another interesting question considered by the Dialogue was whether American efforts to support India's aspirations to a stronger strategic role would cause friction with Australia in the future. Proponents of engagement with India saw few risks, citing common interests and democratic values shared by policymakers in Canberra, Washington and New Delhi. Other participants were more cautious and described India as a 'wild card' for the relationship in 2015, citing uncertainties about India's policy priorities, strategic culture and diplomatic style.

Similar differences of opinion were expressed regarding Australian-US approaches to multilateral diplomacy and nuclear weapons. Some attendees emphasised the traditional tendency for divergence between Canberra and Washington on those matters. It was suggested that the increased saliency of nuclear arms control issues could see a reversion to Australian-US diplomatic tensions similar to those in the 1980s. Others were more confident that divergence on issues of multilateralism and nuclear arms control tends to be 'tactical' and limited in its impact. They emphasised Australia's support for US leadership in regional and global forums, and that Australia is 'a non-nuclear power with vital nuclear interests'.

DIVERGENCE

In addition to considering specific regional and global interests, the Dialogue identified a number of broad policy challenges that may cause divergence in the relationship. Although participants saw the current scale of problems as manageable, they recognised that future strategic challenges and policy drivers are likely to catalyse divergence or friction. Australia and the US often diverge on the 'ways' rather than the 'ends' of policy. This is exacerbated by differences in cultural norms, policy language and political and administrative systems.

In recent years, domestic politics has tended to reinforce convergence between Canberra and Washington, despite controversial issues such as Australia's involvement in the Iraq War. A central factor has been the close relationship that has developed between the Howard Government and the Bush Administration. Yet the domestic political environment is likely to change over the next decade, and this may affect future attitudes and commitments in both countries.

In Australia's case, participants observed that polling and electoral outcomes since the 1960s show consistent majority support for the alliance, but it was suggested that the impact of generational change was still unclear. It was argued that political leaders and bureaucratic agencies have not done enough to inform the Australian public about how the relationship works and why it advances Australia's interests. There was consensus on the need for communication and engagement with the Australian public to better explain the rationales and the benefits of the Australian-US relationship, with a specific focus on engaging younger Australians. A particular risk is that disillusionment with President Bush's foreign policy and the war in Iraq will become a dominant factor in shaping future perceptions of the Australian-US alliance. American participants emphasised Washington's awareness of the domestic tensions facing policymakers in Canberra. One senior American concluded that the US needed 'to make Australia's global alliance commitments more palatable to the Australian domestic environment.'

Although there was a focus on the Australian domestic political environment on the question of divergence, the Dialogue also discussed the implications

of a future shift towards isolationism in US politics. Potential American disengagement or introspection was a serious concern for both Australian and US participants as they considered the likely political constraints on the relationship in 2015.

A key concern expressed by many Australian attendees was the future availability of capabilities and resources. As one senior participant stated, 'alliances are fertilised by practical applications' and Australia's recent economic growth has provided decision-makers in Canberra with more options for practical applications. Budget surpluses have allowed the Howard Government to increase investment in defence and national security, and support a greater range and tempo of commitments that contribute either directly or indirectly to the Australian-US relationship. This has been achieved while Australian defence expenditure remains at approximately two percent of Gross Domestic Product.

However, an economic downturn could significantly constrain Australia's options in the near future. Tightening budgets will force future governments to make harder choices about the allocation of resources and the regional and global commitments that Canberra will undertake. Aside from financial resources, Australia is experiencing serious difficulties in the recruitment and retention of skilled people for the ADF and the wider national security community. Moreover, it was argued that Australia is already finding it difficult to sustain its strategic commitments. Operational concurrency is becoming increasingly problematic for the ADF. A senior American participant stated pointedly that 'Australian military capability is too small' and that this inadequacy could lead to serious divergence between Canberra and Washington by 2015 unless it was addressed.

Another potential source of divergence was identified in relation to coordinated policy management, where the increased scale and tempo of initiatives and commitments in the Australian-US strategic relationship presents several challenges. Well-intentioned efforts to continually expand the relationship could result in 'overstretch' and loss of policy coherence. It was observed that sometimes 'things need to be done slowly' to ensure adequate planning and implementation. There is also a need to distinguish clearly between processes and outcomes. Otherwise, there is a risk that political leaders and bureaucratic institutions will become preoccupied with the 'mechanics' of Australian-US cooperation at the expense of a clear focus on achieving common strategic goals.

Challenges for Coordinated Diplomatic Activity

Participants were generally positive in their assessment of current US-Australian diplomatic cooperation. It was acknowledged that coordinated diplomatic activity will continue to encounter failure as well as success, but there was no fundamental problem perceived in the closeness or intensity of

the bilateral relationship. Objectives for 2015 were articulated in terms of realising opportunities for improvement, managing points of divergence and ensuring that the relationship delivers the right outcomes.

POLICY PROCESSES AND STRUCTURES

The Dialogue recognised that the political dimension of the Australian-US alliance will undergo a significant transition after the close relationship between Prime Minister Howard and President Bush. Although a serious decline in political relations was considered unlikely, participants asked if it was necessary to develop new processes and institutional capacity to maintain the current tempo of policy coordination.

One aspect of optimising processes that received close attention was the use of 'Track Two' diplomacy and similar arrangements for informal engagement. It was suggested that Australia and the US might make better use of multilateral second track forums such as the Council for Security Cooperation in the Asia-Pacific (CSCAP). Beyond the Asia-Pacific, new opportunities for coordinated Australian-US participation in 'Track Two' or 'Track 1.5' dialogue are emerging in the Middle East. Dialogue participants agreed that the real value of existing second track processes is gained from increasing awareness among attendees rather than from the outcomes of meetings. Therefore, the Australian-US relationship would benefit from a regular turnover of officials and analysts involved in these processes. Informal engagement will also be important to bilateral Australian-US relations. Participants agreed that forums such as the Kokoda Dialogue play a valuable role in promoting understanding and maintaining a high level of trust.

COORDINATED APPROACHES TO REGIONAL DIPLOMACY

The Dialogue identified several priorities for enhancing coordination in regional diplomacy. Engagement with China requires mutual understanding between Australia and the US to manage situations where there is divergence over the means or ends of policy. In particular, it was argued that a major challenge for Australia is keeping abreast of changing strategic assessments and domestic political influences that shape US policy toward China. Participants recommended that Canberra and Washington work together to define their key strategic, economic and political goals in engaging Beijing. A flexible policy framework with clear goals would optimise coordination, with different approaches being used by Australia and the US in a complementary manner.

Bolstering key relationships with third parties was seen as another priority. In particular, participants supported closer Australian-US cooperation with Japan through further development of the TSD or bilateral arrangements between Canberra and Tokyo. The Australia-Japan Joint Declaration on Security Cooperation signed in March 2007 is a good example of what was recommended. By comparison, future Australia-US diplomatic cooperation

with India was the subject of some caution or scepticism. Nevertheless, participants agreed that Australian-US strategic relations with India in 2015 would require close coordination.

Additionally, Australian participants were keen to emphasise that US diplomatic priorities in the Asia-Pacific should not overlook Southeast Asia. Although Australia can provide significant support for US interests in the region, it cannot substitute for an active US role in engaging ASEAN and shaping the regional political and security architecture.

Other priorities identified by the Dialogue included the development of new diplomatic processes and 'tools' to deal with challenges such as state failure or the illegal activities of rogue states. Australia and the US could benefit from 'lessons learned' studies on recent initiatives such as the Proliferation Security Initiative, the use of targeted sanctions against North Korea and Australia's stabilisation and development activities in the Southwest Pacific.

COORDINATED APPROACHES TO GLOBAL DIPLOMACY

Many participants were concerned that the challenges of coordinating diplomatic approaches to global issues would become more acute in the future. Australia's current balance between regional and global priorities may be altered significantly in the event of a change in government. In particular, a future Labor Government is likely to be wary of supporting US policy initiatives at the global level if they were perceived as being too militarily assertive or 'unilateralist' in nature. Australia is unlikely to abandon its support for the broad themes of global US strategy, but agreement on innovative or risky approaches may be difficult. Timely communication and cooperative approaches to developing policy solutions – both at the conceptual and practical level – will be required to manage this challenge.

Further discussion about global issues concentrated on the future challenges of Australian-US foreign policy in the Middle East. Specifically, Australian and American participants used the Dialogue to gauge perceptions of Iran's growing assertiveness in that region. It was assessed that options for dealing with Iran are narrowing, and that effective options may have significant costs. How the West deals with Iran is seen from Washington as a critical factor not just for Middle East security, but also for the future of global counter-proliferation, multilateral institutions and the Eurasian balance of power. Australian participants saw few indicators of major divergence on Middle East policy at present. They emphasised Australia's significant security and economic interests in that region are convergent with those of the US, although not always congruent. However, they judged that Australian policy towards the Middle East in 2015 would be shaped by the outcomes of current US policies, particularly in Iraq. Participants from both countries argued that American policies needed to be better communicated to allies and the public.

Challenges for Combined Military Operations

The workshop on next-generation combined operations considered types of operations would be conducted by the US and Australia in 2015 and sought to identify broad options for achieving the aims of these operations. Key speakers addressed the categories of counter-insurgency, peace enforcement and state building, and conventional operations.

COUNTER-INSURGENCY OPERATIONS

An initial observation made by several leading participants was that the recent Australian and American emphasis on counter-insurgency, driven by current conflicts in Iraq and Afghanistan, has emerged from a period of flux in the conceptualisation of non-conventional operations. The end of the Cold War saw many different attempts to define a reconfigured spectrum of warfare, featuring terms as 'small wars', 'low intensity conflict', 'operations other than war (OOTW)', 'the three block war' and 'asymmetrical war'. However, the application of this considerable theoretical and conceptual output has proven difficult. There was now an opportunity to use recent wartime experience to help bridge this gap between concept and practice.

Much of the discussion on counter-insurgency drew upon interpretations of US-coalition operations in Iraq. In particular, it was emphasised that Australia and the United States needed to use lessons learned from the difficulties encountered in Iraq to develop the appropriate capabilities and doctrine for 2015. These lessons for future Australian-US counter-insurgency operations included:

- Strategic objectives must be defined as clearly as possible to ensure the alignment of political and military decisions and the efficacy of operations. A key problem was how to apply force to achieve limited and non-military aims, and how to define success in doing so.
- Counter-insurgency operations will present policymakers in Washington and Canberra with intense domestic political challenges, given their duration and the difficulty of demonstrating progress in the short-term. Therefore, such operations require the political will, military preparation and financial resources to conduct such campaigns for many years.
- Successful counter-insurgency operations in the future, as in the past, will depend on political success. Moving beyond traditional concepts of 'winning hearts and minds', participants debated if future operations would require coalition forces to exert more direct control over states and societies. At the very least, future Australian-US operations need to ensure that efforts to rebuild or strengthen indigenous capabilities, infrastructure and institutions were part of a consistent strategy.

- Sufficient combat forces and support forces must be deployed, although the inherent challenges of counter-insurgency means that such 'sufficiency' will often remain elusive. Even the US has struggled to achieve sufficiency of forces in Iraq. Participants debated how to respond to this dilemma in the future. Some argued that governments should be persuaded to provide more resources and increase personnel numbers, to complement current investment in transformation. Others saw the solution as more efficient use of the limited resources and personnel available.
- Combined operations require appropriate burden sharing among allies, including the commitment of forces to combat roles. While American participants emphasised US appreciation of Australia's recent commitments, it was also observed that the ADF will not always be able to assume limited or niche responsibilities. An important conclusion was the ADF must develop broad-based professional mastery in offensive counter-insurgency operations, to be prepared for likely contingencies in 2015.
- 'Jointness' must be exercised at the operational and tactical level, in addition to the strategic level, to achieve the required effects in an efficient manner. This will require further development of joint command and control (C2), networked communications and doctrine. Joint capability development must also consolidate Australian-US interoperability, with participants emphasising the ADF's need to stay abreast of major components of US transformation such as the US Army Future Combat Systems (FCS) program.
- Information Operations (IO) are essential to the success of counter-insurgency. Australian-US IO must be based on sound knowledge of the cultural, socio-economic and political factors that determine how adversaries and civilian populations think. For example, the use of the term *jihadi* to describe extremist Muslim terrorists was identified as a classic case of sending counterproductive messages. Timeliness of IO is also critical, given the agility of insurgent and terrorist groups in disseminating their messages and the consequences of near-instantaneous global media coverage.
- Reserve forces and civilians will be essential to future Australian-US counter-insurgency operations and this must be addressed in planning and doctrine. The conflict in Iraq was described as 'a war made for reserves'. That conflict also highlights the role of civilians in supporting military operations and directly conducting civil operations. It was suggested that Australia needed to develop new options for the use of reservists and civilians and learn from America's impressive scale of experience in this respect.

There was general agreement on the validity of these lessons, but participants differed on some fundamental interpretations of how they should be applied. They debated the extent to which 'next-generation' counter-insurgency operations will require a fundamental change in the way America, Australia and other Western countries fight wars and structure their defence forces.

Some saw the need for a major shift of resources and human capital from military capability to non-military capability, to address both the most pervasive symptoms and the root causes of state failure and intra-state conflict. As one participant argued, counter-insurgency operations can be seen as '80% political and 20% military' in character, and this should be reflected in the structure of Australian-US capabilities. Other discussants acknowledged the need to enhance non-military capability, but reiterated that the political dimension of counter-insurgency does not obviate the primary requirement for flexible but robust warfighting forces.

A concluding point was that, in conducting counter-insurgency operations, 'people are the key'. There are several dimensions to this principle. New technology can strengthen but not replace 'boots on the ground'. The skills of military and civilian personnel must be applied to a broader set of tasks. Victory in counter-insurgency would depend on engaging local populations and working with them in the political and socio-economic spheres to achieve success, while maintaining domestic political support in Australia and America. This latter requirement underlined the need to ensure long-term, sustainable political support for a more activist alliance.

STATE RECONSTRUCTION AND PEACE OPERATIONS

The discussions on counter-insurgency operations flowed easily onto the topics of stability operations, peace operations and state reconstruction. Participants agreed that these tasks were likely to be a salient feature of the Australian-US strategic relationship in 2015. Some went further, suggesting that the global threats posed by internal instability and state failure would be the primary security challenges for the alliance.

Discussants recognised that state failure constitutes a set of very difficult and very complex problems, with both direct and indirect consequences for Australian-US interests. State failure can cause or accelerate challenges such as civil war, cross-border conflicts and regional instability, terrorism, transnational crime, humanitarian crises, pandemic disease and unregulated population flows.

Minimising the strategic risks of state failure, let alone 'solving' it, requires coordinated but flexible responses across multiple dimensions of policy and capability. This implies a fusing between the policy agendas of international security and international development – something that has frequently been

advocated by those who favour a broader conception of security. Yet this 'fusing' is much more difficult to implement than to theorise.

Notwithstanding the Dialogue's consensus on the importance of these challenges, it was stressed that 'not all state failure threats are equal'. As a senior Australian official argued, 'trying to fight state failure everywhere would be disastrous'. Therefore, it is necessary to define strategic priorities clearly.

Furthermore, recent experience demonstrates the need to better determine the 'ways and ends' of stabilising and reconstructing states. Some argued that Australia and the US should reconsider the type of political frameworks, institutions and capacities that they seek to develop in the aftermath of conflict or state failure. One question was whether state building should follow existing models of statehood or attempt to build new models involving international governance or 'shared' sovereignty.

Despite the Dialogue's consensus on the importance of comprehensive responses to state failure, it was agreed that Canberra and Washington should avoid over-ambitious concepts of state building. Future expectations must be managed wisely. It was observed that the US has a tendency to pursue overambitious goals in countries where it intervenes. This creates many operational problems and often culminates in disillusionment for both the US and those it engages. Yet some participants suggested that Australia faced similar dilemmas in its immediate region. Initial perceptions of success in East Timor and the Solomon Islands may have fostered undue confidence in Canberra, at least initially.

It was suggested that Australia suffers from a 'capability deficit' relative to current and potential commitments to stability, reconstruction and peace enforcement operations. Knowing when and how to respond to state failure requires appropriately focused intelligence capabilities, and capabilities to assess military and non-military options. Integrated, whole-of-Government campaign planning is needed to manage concurrent demands. Moreover, there is a need to harness the capacities of academia and the private sector for these tasks. Yet concerns about a 'capability deficit' for these operations were not limited to Australia. Even the United States has difficulty in meeting its expanding commitments. Therefore, it was stressed that peace enforcement and state building will require multilateral cooperation.

It was agreed that Australian and US military forces and government agencies needed to operate more effectively in an interagency context. More controversially, it was asked if the nature of future peace-building and state-building challenges made it necessary to create a bifurcated military structure. This model would see a dedicated reconstruction organisation complementing the warfighters. Proponents argued that genuine transformation requires fundamental change in organisation, capability

development and the 'human capital' of military and bureaucratic institutions. More traditionally inclined participants reiterated the essential requirement for conventional operational capabilities, but agreed that better non-military capabilities must be developed by 2015.

CONVENTIONAL OPERATIONS

The participants also discussed the requirements for conventional military forces and the way that these forces would cooperate together, and with third parties, in the Asia-Pacific region.

In response to arguments for a fundamental restructuring of the ADF and the US Armed Forces, conventional force advocates were firm about the continuing need for conventional military forces. They emphasised that superior US capabilities to conduct conventional operations underlay the ability to carry out other operations. Potential state-centric security threats to Australian and American interests will continue to require conventional capabilities for deterrence and warfighting. Recent challenges experienced by conventional forces in Iraq, Afghanistan and Lebanon could be interpreted as a consequence of neglecting traditional strategic and operational principles.

Although there was general consensus among participants that Australian-US capability for conventional operations will remain essential in 2015, there was debate about the type of forces and capabilities required. It was asked if the conventional forces of 2015 would still be structured and prepared for operations in the same way, and if not, what major changes were necessary. One theme that emerged was that the pursuit of transformation through strategy, doctrine and capability development should be flexible. Participants avoided deterministic, 'one size fits all' prescriptions for the transformation of US and Australian conventional forces.

Participants identified a number of key challenges facing Australian and US efforts to maintain a capability edge in conventional military power. The global diffusion of advanced technology and information has the potential to diminish traditional Western military advantages. A similar scale of challenge is presented by socio-economic and demographic challenges to recruitment and retention. Although there was strong support for the concepts of transformation and NCW, there was also discussion of the risks implicit in a 'smaller but better' vision for military power.

TWO MODELS OF COMBINED OPERATIONS AND INTEROPERABILITY

Another key theme was the distinction between combined operations and interoperability relationships where Australia 'looked up' to cooperate with the United States and other 'first tier' allies, and those where Australia (and the United States) 'looked down' to cooperate with Southeast Asian partners. In recent years, Australia had concentrated on the challenges of

the former, but it was argued that the latter form of combined operations required renewed attention.

The challenges of 'second tier' combined operations and interoperability in Southeast Asia were considerable. Even among the regional states that have substantially modernised their forces since the 1980s, most are still constrained by enduring deficiencies in the joint integration of capability, command and control, support, personnel skilling and doctrine (with Singapore as the regional leader in these fields). It was emphasised that there is no simple technological solution to interoperability in this environment. Moreover, there are formidable, deeply embedded political and cultural barriers to interoperability in Southeast Asia. Practical military cooperation still requires bilateral arrangements, although a multilateral framework can be politically beneficial in some circumstances.

Therefore, it was argued that when regional states were engaged in US-Australian combined operations, they were likely to contribute most effectively by providing political and physical 'presence' within a coalition, access and base support, and niche or supplementary capabilities. This reinforced the case for prioritising capacity building in Australian-US strategic engagement with Southeast Asia.

Challenges for Coordinated Force Planning

While most academic literature on alliances focuses on military and diplomatic cooperation, the Dialogue addressed directly the major challenges facing coordinated US-Australian efforts in force development and acquisition. Discussions went beyond the interoperability of major platforms and equipments, focusing on the broader challenges of planning, building and maintaining joint capability.

GUIDANCE FOR JOINT CAPABILITY DEVELOPMENT

A recurrent theme in commentaries regarding force development and acquisition in both Australia and the United States is the need for coherent guidance and processes, in accordance with a joint approach to capability. Australia's capability development and acquisition model has been reformed since the 2003 Defence Procurement Review, or Kinnaird Review. The Defence Department has created a Capability Development Executive (CDE) to support capability analysis and options. Strategic guidance defines *why* capability is required and CDE determines *what* capability is required. The Defence Materiel Organisation (DMO), revamped since the Kinnaird Review, then assumes responsibility for *how* to provide the ADF with the necessary systems, platforms and equipment. Although the new model is still evolving, senior Australian participants were confident that this joint approach would meet future needs.

By contrast, there was less confidence in recent American progress on joint force development. Most discussants perceived that, despite the commitment of senior decision-makers in the Pentagon, the individual Services still dominated the acquisition system and new 'joint' processes were not performing to expectations. Indeed, attempts to impose joint guidance without effective reform of existing processes created an additional level of bureaucracy in an already complex system. Several American participants concluded that the United States could learn much from the Australian model.

ACQUISITION AND SUSTAINMENT

There was significant commonality between Australian and US assessments of the major challenges facing defence acquisition in both countries. A key concern was workforce capacity, for both industry and defence organisations. Australia's increased tempo of acquisition has required major investments in defence industry skilling and the development of the defence project management workforce. Despite America's immense industrial and scientific capacity, even its defence industry base is being stretched to support its military requirements. Particular concerns were raised about shortfalls in engineering and technical trades, and the looming loss of expertise and knowledge due to an ageing workforce.

The future of acquisition project management was another key concern. It was agreed that continued pursuit of efficiency is necessary to counter rising costs and satisfy political demands. Australia's performance against budgets is improving, but recent budget growth may be leading to complacency and 'capability creep'. US acquisition faces even greater challenges in containing costs given the ambitious and risky nature of many of its largest projects.

Participants stressed the impact of operating costs and sustainment costs on force development. Australia has benefited from a 30% increase in the acquisition budget over ten years, but the sustainment budget needs to be addressed urgently by the defence leadership and the government. Increasing technological sophistication and the contraction of the traditional logistics 'tail' mean that sustainment requires much greater attention in resource allocation and long-term planning.

INTEROPERABILITY, TECHNOLOGY AND IP TRANSFERS

The Dialogue's discussion on interoperability in capability development focused heavily on the challenges of technology and intellectual property (IP) transfers. This was a major concern for Australians involved in defence acquisition. They argued that IP transfer is vital to interoperability, yet the political will shown by senior American decision-makers to improve the transfer process never seems to overcome barriers, ambiguity and sluggishness at the bureaucratic levels. Attempts to obtain an Australian exemption from US International Traffic in Arms Regulations have been

stalled in the US Congress since early 2003. Senior Australian participants warned that this problem would cause divergence in future Australian-US force development unless it was addressed.

However, it was acknowledged that many problems are inherent to the functioning of large bureaucracies and that US industry has legitimate concerns about protecting its IP. Therefore, Australia needs to manage its expectations accordingly. The F-35 Joint Strike Fighter (JSF) program was seen as a positive example of how such problems can be mitigated through practical cooperative arrangements.

OPPORTUNITIES FOR COORDINATED CAPABILITY DEVELOPMENT

The Dialogue identified several opportunities for optimising the coordination of Australian-US capability development. It was observed that current arrangements are working well in many areas of acquisition and support, including with rapid acquisitions. However, there remain many cases where processes for communication and coordination are either inefficient or poorly exercised. Therefore, enhancing or streamlining these processes was identified as a prerequisite for wider improvements in the relationship.

A number of Australians argued that optimising interoperability for 2015 requires greater Australian involvement inside the US acquisition cycle. In the words of one participant, 'interoperability must extend to the commercial environment and the capability development environment'. Accordingly, it was proposed that an exchange program between Australian and US defence acquisition organisations should be established. However, some participants observed that such exchanges might not be as easy to implement as military exchanges, as acquisition involves direct involvement with public money and commercial interests. Another cooperative area is workforce skilling and professional development. As an example, Australia's DMO has begun working with the US Defense Acquisition University to achieve standardisation in project management training.

It was also suggested that Australian-US capability harmonisation should be implemented from the early stages of the development cycle. Benefits can be achieved by building commonality in planning guidance and frameworks for testing capability options, although each country's specific capability requirements will differ. This approach envisaged cooperative responses to the complexity of future requirements for systems and the human dimension of capability.

Finally, the Dialogue considered the prospects for Australia to benefit from a 'two-way street' with America in defence exports and technology transfer. Australia stands to gain from involvement in cooperative projects such as the JSF that are likely to become more common by 2015. Additionally, there may be opportunities for Australia to develop market niches by offering

simple systems that can trump excessively complex US systems, in areas such as satellite networks and robotics.

Conclusions:

CHALLENGES...

The major themes discussed during the Kokoda Dialogue and Closed Workshop reinforced confidence that the current Australian-US strategic relationship is strong and achieving good outcomes across a range of cooperative activities. However, there was considerable concern that this strength and performance might be compromised over the next ten years due to a confluence of external and internal challenges. These challenges include:

- An uncertain Asia-Pacific balance of power, characterised by greater strategic activism by China, Japan and India;
- Intensifying security dilemmas and problems in the Middle East, comprising interconnected threats at state, sub-state and transnational levels;
- Political, diplomatic and military problems in responding to complex internal conflicts and state failure;
- Balancing competing regional and global priorities;
- Managing a highly dynamic, intricate alliance relationship with proliferating policy commitments;
- Maintaining and developing the requisite capabilities to support the strategic goals of the relationship;
- Promoting public awareness and understanding of the strategic relationship's value and the reasons for major military or political commitments.

Participants stressed that these challenges are not insurmountable and that there are many opportunities to bolster the relationship's strengths. Australian and American participants felt that the high degree of trust and open communication in the relationship gives it considerable potential for developing innovative and effective solutions to future challenges.

... AND OPPORTUNITIES FOR OPTIMISING THE RELATIONSHIP

As indicated in this report, many options for optimising the Australian-US strategic relationship and meeting future challenges were considered during the Kokoda Dialogue and Closed Workshop. In some cases, these options would require new initiatives; in others, they would involve the expansion or

enhancement of current efforts. The following list summarises the key recommendations and proposals that emerged from participants' discussions. Australia and the US should:

1. Cooperate more closely in developing strategic guidance, frameworks and concepts for defence planning, to ensure alignment at the highest level.
2. Conduct more long-term planning in support of foreign policy, incorporating the multiple dimensions of national power.
3. Use 'semi-formal' structures, supported by processes and information systems that enable connectivity, to enhance policy management without stifling the relationship's natural dynamism.
4. Develop mechanisms for Australia-US cooperation across interagency 'stovepipes', to support both defence-led operations and combined domestic security and transnational law enforcement efforts.
5. Engage with the public, especially younger citizens, to improve understanding of the relationship and heighten awareness of Australian and US perspectives on strategic issues.
6. Conduct cooperative studies on state failure and develop common models of peace building, state building, and capacity building to facilitate Australian-US operational responses.
7. Identify and evaluate options for filling the 'non-military capability gap' in a whole-of-nation context.
8. Exchange plans and concepts for improving joint capability development and making more efficient use of defence resources.
9. Emphasise the human dimension of policy cooperation, combined operations and capability development.
10. Encourage low-to-mid level interaction between Australian and US agencies.
11. Complement the bilateral alliance through strategic relations and other forms of engagement with third parties.
12. Manage friction in technology and IP transfer by setting clear priorities, simplifying processes and improving communications between different organisations and levels of government.

13. Identify areas of 'comparative advantage' and exchange lessons on policy, operations or capability development.

A final observation was that the Australian-US strategic relationship could benefit from further informal dialogues in the future. Participants thanked the Kokoda Foundation for facilitating a stimulating and productive gathering of decision-makers and experts. While technology allows for persistent connectivity and communications across the Pacific, face-to-face dialogue and friendship between Australians and Americans will remain just as important in 2015 as it is today.

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