

## 2010 Autumn Lecture Series; National Security Capability ; the future for NZDF.

\_\_Thanks to the University (S.OG) and greetings

I am one pair of eyes .The point of view I wish to share with you tonight is the product of my past professional experiences at M-F-A-T and D-P-M-C,during which I was involved in past Defence Reviews. Since leaving the public service last year I have been engaged in two related reviews; the 2009/10 Defence Review and White Paper in which I have been one member of a three person external reference panel for the Minister; and I conducted a review of aspects of the NZ Intelligence system for the State Services Commissioner. Tonight I may draw on ideas which arose for me in the course of these two assignments, but I do not speak for either the Minister, Dr Mapp, the Associate ,Heather Roy or the government. My views shouldn` t be assumed to be identical to those which the panel has evolved during the course-still ongoing-of the Review; my two colleagues ,Martyn Dunne and Rob McLeod,each with a field of expertise I cannot match,but from which I have benefitted, know

what I plan to say, but have not been consulted beyond that. In due course I am sure they each will give their views.

This is a subject which can provoke sharp differences-in politics and in civil society .I happily accept that the approach I am taking and the point of view flowing from it are arguable. Please feel free to correct me on any facts you know I have wrong. And on matters of diagnostic analysis, interpretation, and extrapolation of meaning , I expect –and welcome– some debate.

Just to set the scene a few facts; the annual operating cost of the military since 1990, has been growing in nominal terms ( to \$2.3B today) but at around 1% of GDP, this is a flat ,perhaps slightly declining real outlay for most of the period. It is what Switzerland spends, but half what Australia spends. In terms of other kinds of public expenditure for activities which contribute to security-MFAT/NZAID; the intelligence agencies- the data would show a moderately rising curve, beginning a bit sooner. For a period after 9/11 , the government did commit new budget resources to security- “homeland security”, and counter-terrorism, moreso than the more traditional

offshore security outputs. It was also making a major increase in Official Development Assistance in this period. All-in themselves- logical and sensible.

Closer analysis of defence financial performance would tell you that it has not been capital acquisitions-new or upgraded platforms, which have been the main driver of nominal Defence budget increases.(between 2006 and 2013 the capital programme is due to spend ,in total, about \$2.2 b ). Rather,the lions` share of new appropriation has been required to meet the operating costs of NZDF. This covers pay and related personnel outlays (39%);materiel (fuel,ammunition,clothing,spare parts);and the rental and maintenance of property. Another way of looking at operating costs is to ask what it costs for NZDF to run the core frontline military elements, as presently configured, in an average year? Looking at output costs over the past 4 years, one would find that the combat naval force costs about \$240m per year of operations; the land combat force itself \$250m and its direct military support \$135m; RNZAF maritime patrol and fixed wing transport together \$250m,and the helicopter element, a further \$120m. Of course, for frontline

military effects, such as these, to be delivered, there is a significant below-the-line (“support and sustainment”) services infrastructure which must be paid for as well. Just as it does not take much weakening of the NZ dollar to blow out the forecast costs of equipment, it does not take much by way of commodity price rises—eg fuel—to knock NZDF’s operating costs around. And there’s not much scope to hold off expenditures of this kind when it’s a battalion in the field which needs the mobility or the air support. It isn’t as easy as it might seem to deprioritise or reprioritise defence activity as it may appear—some cost-drivers are innately “embedded”.

Defence costs are driven, often and more fundamentally, by the readiness, or alert, levels required of the various military assets. Since 1998, the NZDF has been very busy on active service with concurrent repeat deployments in Timor Leste; the Solomon Islands, and, of course, Afghanistan and the Arabian Gulf, and a particularly high callout rate for humanitarian and related quick-response activities in our near neighbourhood. Its assets—human and equipment—held on relatively higher alert for longer periods, have been worked harder, and its resources

consumed faster. This operational tempo is significantly more intense than in the previous 20 years, particularly for the landforce components.

The same international and regional factors which have caused our Governments to want to commit the NZDF to action at this level of frequency and across this wide a range of geographies have significantly affected a range of other agencies-notably Police, Customs and Immigration which have had to become more heavily engaged internationally, often alongside MFAT/NZAID and NZDF itself.

The deployment choices made by our recent governments are not so much related to classical “protection –of-the-realm”-although that necessarily continues to be an inescapable reality for defence output planning and equipment choices- as to judgements of what is required to protect a far more “internationalised “ amalgam of vital interests and values.

What does that mean? The aggregate effects of globalisation are producing ever-higher external interdependencies for states and for economies. Risk travels faster and further, these days, and

transboundary and crossborder solutions are more often called for. Our strategic resilience-the ability of a small state to adapt and succeed- whether defined in economic or other terms-increasingly turns on the policy –settings and performance of our national institutions,public and private sector, beyond our home shores . NZ`s wider international security posture and interests should and will drive the kinds of investment in institutional capability which might well need to be made in the next 20 to 30 years in order to maintain ,or even enhance New Zealand's overall resilience . NZDF – is an important institution,one of several in the public sector whose performance,singly and collectively, can enhance or degrade national resilience .

National security itself has been internationalised. And it means NZDF has had to be more ready, more willing and better able (to perform effectively and professionally AS A DEPLOYED FORCE) than at any earlier point in its recent history. A national defence force may have many roles , in war and peacetime, but it is always an instrument of foreign policy. Where tensions are being managed,and diplomatic outcomes need to be honoured or verified or otherwise

implemented, its presence is often a prerequisite.. And there are ,as we all know, a range of contemporary circumstances in which a military presence,with its latent capacity to use force, serves to restore order and keep the peace, among nationalities within states boundaries. It so happens that in recent years our governments have frequently found themselves wanting to give effect to foreign policy imperatives and diplomatic commitments for interstate and intrastate security through the use of the military. What began with Bougainville and Bosnia in the 1990s , and today embraces an even broader spectrum of security assistance competencies and military effects ,from Honiara to Bamian is the most relevant underlying trend for this Defence Review.

It is a given for me ,when thinking about resilience that we have to be prepared and able to make our own way in the world; but equally, to find good friends where we can ;to avoid making enemies; to create influence where we can and use it wisely ,but , as a small state, be realistic enough to cope

effectively with what we are unable to influence or change.

Without being spuriously categorical about future unknowns, let me suggest that the predominant characteristics of international relations in this period ahead will be ;

-a generally uneasy outlook for international security, characterised by multiple uncertainties; firstly, about the post-1945 order, in particular the continuing unwinding of its central propositions - the most significant, in this context, being that international peace could be preserved by sustaining Soviet/US détente, and by nuclear deterrence and risk-management , controlled largely by the old P5 . And secondly, uncertainty about the intentions of rising powers, and the extent of their militarisation , certainly within their regions and possibly globally.

- commercial and financial globalisation will continue. It will consume resources and put pressure on systems, including ecosystems such as oceans, (including of course the Pacific and our Southern maritime geography). It bring rewards to some, but will also keep on weakening others,

especially Least –developed countries, where state capabilities will erode, and civilisational(politico-religious) frictions will be exacerbated.

- transborder security risks will become more complex wherever intra-state conflict cannot be localised , contained and resolved, or otherwise mitigated by noncoercive means such as ODA.

- systems for dispute -settlement diplomacy will be tested; rising powers and other middlepower states with unresolved territorial or resource-rights ambitions (or apprehensions) may withhold civil cooperation or apply intimidatory pressures, and even threaten the use of tactical military force to achieve outcomes.

- the challenge of UN reform and the improveability of the multilateral system as a whole-ie-WTO/IFIs- may prove to be too hard, at least in the short –run. Nation states will nonetheless want ,and need, to act collectively more often. In particular the trend will be to establish wider and deeper interoperabilities military- and paramilitary , across a wider range of state partners, and extending to the big

multinational development and relief providing NGOs.

- The preservation of a stable balance-of-power in wider East –Asia cannot just be assumed, especially if US/China relations were to deteriorate, and efforts to develop stronger regional security structures and institutions were to fail.
- Oceania-the PIF region- which has been in a long (relative) economic contraction affecting many aspects of national; performance, sadly, is likely to face further humanitarian crises and public order challenges.

There is , in addition, an “X factor. A Canadian academic ( Homer-Dixon) whose insights I respect, has said that we can expect increasingly complex security threats; they will be multiple ; they will overlap; their effects may go deeper and further ,and their damage potential may be longer-lingering. They will not be as knowable in terms of conventional probability analysis and risk measurement. They are more likely to overwhelm “ conventional” response capacities

and national institutional capabilities. (Just look at B.P.'s oilwell crisis for proof of this!)

If these observations are a prudent way of looking at our probable external environment, what might it mean for our resilience policy—settings and our institutional capacity?

My view is that our underlying national strategy is sound, insofar as we favour being outward-looking, engaged, connected and aligned over the insular alternatives – and our fundamental principles ( we stand for norms of international behaviour in which states accept constraints and obligations codified by laws, conventions ,rules and common standards) remain very relevant.

These strategic settings are a constant and a given. For as long as I can remember ,and through each of the Prime Ministers and Foreign Ministers I have served, this underlying internationalism has been expressed in foreign policy with a multilateral/bilateral balance,and a commitment to regionalism. It has been mostly bipartisan,whether relating to security or

trade/economic issues. The political ideology and electoral climate of the moment, nonetheless can affect-and indeed has sometimes quite powerfully affected- how that balance rests.

In the multilateral security space, of course, NZ governments have long supported the UN's role in international security, crisis-management and peace support. It is abundantly clear from various internal and external reports that the UN is under great pressure in this area of its activity, and is looking for more from contributing states, especially those like NZ with high acceptability and military professionalism.

Beyond the UN, NZ has long been a participant-and a "paying member"- in a range of plurilateral security pacts and other arrangements, from which our governments have derived practical military benefits. The calls to contribute forces to actions under these partnerships have often involved some form of UN authorisation or blessing, but sometimes not-because of Security Council vetoes etc. This kind of engagement –for

example the Sinai MFO- is always a possibility, and NZs aspiration to good global citizenship means our governments` instinct will often be to try to help where other small states might cry off.

When it comes to future security demands on us in the bilateral sphere, some commentators would take as their starting point to our relative remoteness-that protects us, and we have no historic enemies. We can afford to be selective about defence diplomacy and resource constraints mean we cannot be all things to all people, anyway.

But perhaps it is worth thinking about ourselves less in terms of these differentiating factors than as a small state in an insecure world, and to consider the general practice of small states . They must be very attentive to their geopolitics; their national wellbeing is often best advanced or protected by building constituencies with regional neighbours and other sympathetic foreign governments via mutual-interest partnerships . This is a form of

insurance for some ,but hard necessity for others. Exposed to risk-fraught bilateral and regional relationships, with unsympathetic ,or even threatening neighbours, small states look as much to pour resource into their security partnerships as into selfdefence ; and they devote far more intense effort to preventative diplomacy .

NZ governments ,up to the Muldoon era had acute memories of this country having been so gravely exposed- in 1939-45. Many MPs had seen active service . But memories tend to fade, and gradually the the post ww2 alliance and collective security structures,once so obvious a need and so sought after, came to be seen as anachronistic,or even themselves a risk-better not to be aligned if that meant becoming ‘entangled”. The Vietnam war and antinuclear activism, as it entered the political mainstream, both reflected and magnified this tendency. It lingers in our reflex thinking about international security.

But, the trends which I can foresee in the future all point towards an intensification of

bilateral defence and security engagements, indeed to their pluralisation . And, for all the ambivalence of the Vietnam generation,we do still have important bilateral defence obligations-none moreso than to Australia- and high value bilateral partnerships- some older, such as with the UK or the US, some newer,such as with Singapore, and we remain party to some plurilateral arrangements like the FPDA. I believe they are worth preserving and enhancing.

. Security partnerships,of course, have to be actualised– they must have content that the parties value; be careful they have not become “empty vessels’. Defence alliances ,with their treaty-based commitments to a collective response to aggression, have always the highest form of these partnerships; and require investments in kind.

But there are,today, many other kinds of interstate politico-military collaboration, and related paramilitary security cooperation in which NZ is an active participant at regional or subregional level. There is a benefit to NZDF ,

as well as cost to these activities-whether it is exchanges of personnel;alignment of doctrine or joint exercises to achieve higher standards of interoperability in the field. It becomes harder to maintain when active service spikes upwards unexpectedly, in our near Pacific neighbourhood (eg Tonga) where New Zealand has to be in the cornerstone provider/ first - responder ranks.

But it is beyond Oceania in wider East Asia that the costs of interstate tension and resort to military force would be highest. There is a growing interest in a networked system of security cooperation which will engage major powers,rising middlepowers and develop stronger risk-management at the strategic level. In this region, where so many of our economic interdependencies are now centered, our future governments are most likely to want to present themselves as a reliable friend and an interested party to contribute to maintaining peace , preserving stability and contributing to human security. ( The most obvious contingency for such a contribution in wider East Asia ,right

now,would be in the event of an externally – guaranteed settlement on the Korean Peninsular.

In NZs overall external relationship management, the historic military contributions-to peace,security and good order-made by past NZ governments retain a longlife value and a political resonance. Whether in Europe or closer to our own geopolitical region, they create credibility and influence.

So the NZDF ,through both its deployments to theatres of confict or emergency,and through its role in actualising security partnerships of various kinds, has become steadily more significant as an instrument of foreign policy projection for modern NZ governments .Its contribution to NZs overall strategic resilience has become more than just as the defender of our realm and protector of our national borders. In a future international environment of the sort I have foreshadowed , IT IS HARD TO IMAGINE THIS TREND REVERSING,AND IT ,FOR ME, IS A CORE DRIVER OF THE PARAMETERS OF THE DEFENCE REVIEW. Future NZ governments are at least as likely as our recent ones to want a menu of deployable military-and paramilitary-

assets which perform competently, and are recognised as being of value , in terms of interoperability and other kinds of interdependencies, to others.

There is ,accordingly, no reason to forecast a reduced operational tempo for NZDF as a result of changes in the external environment. With no new “peace dividend” on the horizon, all the pull factors suggest that the NZDF`s tempo ,whether of active service deployments or for servicing a widening range of defence and security partnerships,will rise. It would only be a foreign policy choice towards greater selectivity- towards“dis-internationalisation” and “unalignment” - which would create a reduced demand.

What ought this Defence Review of 2010 be prepared to contemplate by way of capability ? What menu of military/paramilitary effects might future NZ governments find they need to be able to call upon when the national interest or national values require?

At a very broad level,and conscious of where my expertise runs out, I would say it is “the same,but more of it” -the same core

platforms ,configurations and core skills and a similar proportion of niche specialisations- but with added depth across the various force elements. An NZDF...

- with more reach –ie- can be deployed and ,up to a point,self-sustained for operations in and beyond our near Oceania neighbourhood

- able to contribute added value to international or plurilateral (regional) security partnerships by virtue of targetted interoperability enhancements

- able to operate across this newer/broader spectrum of roles beyond peace support, including support for postconflict security,stabilisation and reconstruction involving not just MFAT/nzaid,NZP etc,but compatible NGOs.

- deployed units generally better able to self-defend or interoperate with defence systems, and for some force elements ,to deter potential attack in a variety of risk conditions up to mid-level intensity of conflict.

To propose, as a viable minimum, the retention of the current force structure- ie- same core platforms and configurations- is to raise for the Review some challenging issues in that certain of the present generation of platforms are already due for major refurbishments or replacement, and others are not that far off.

There is always a temptation, when budgetary pressures gather, to “trade-down” with defence and security, to rationalise an affordability choice as a capability judgement- to make a military virtue out of a fiscal necessity.

And there is second kind of temptation which can afflict capability planning- “function creep”. This happens, especially for small countries with budget limitations, when the planners will say “ maybe we can kill two birds with one stone- lets see if this can have functionalities added to it; lets multi-role it ;lets add some weapons to it..etc”. But beyond a certain point you cannot make some complex machinery perform properly and reliably outside its design envelope. It might not work and it might let you down under high stress useage.

Partners who want reliability will be wary of platforms that are “pigs with lipstick”. Where we have to make these kinds of trade-offs-and we always will-we need our capability selection and design specification thinking to be grounded and realistic, not wishful.

I am not ,myself, certain enough,nor expert enough, to forecast the need for a specific new,quantum-step addition of military capability to NZDF,albeit the need to acquire that could arise over the next 20 -30 years. We will just have to face that –hopefully having seen it coming soon enough-if it arises.But I do feel that a step-reduction in capability-such as occurred with the strike air assets in the 1999-2001 period- would not be in our wider interests.

The Review should therefore be wary of both the temptations I have descibed,for the simple reason that if the NZDF is divested of its present platforms or has too many compromised configurations , it overall deployability will be affected and the value of NZ as an international or regional partner will be

discounted. Future governments will find themselves with a narrower range of real options than any NZ government of recent times.

Lying behind this view is a concern, albeit a rather inchoate one, which others may share about what I might call the compound rate of capability degradation. The margin between manageable stretch and perilous overload is always hard to quantify. What NZDF, in its recent high operational tempo has been doing, looks to have fallen inside the boundary of manageable stretch. It has mostly got the job done, and at best, succeeded beyond expectations. It has been able to deploy into a range of security actions, standalone and joint, carrying out its roles to a high standard, and within its own risk parameters.

It has, overall, proven fit-for-purpose, but... for all that, there has been a certain element of good fortune. And, looking to the future, some of the margins look rather thin; it should not be assumed that for the same

real levels of funding the same order of benefits ,and the same success/failure probabilities will continue to be available. There is a base of human competencies in certain military roles ,which could be subject to fatigue,atrophy or other forms of degradation at an accelerating rate. These are organisational health issues – as significant as the individual platform and equipment configuration investments . To mix a metaphor, this is an “iceberg” - hard to tell exactly what is happening below the surface; and it is an “hour-glass” - the sand is running and there will be a tipping point.

If we want the NZDF of 2030 to be able at least to do what the present NZDF has been doing,this aspect of underlying effectiveness will need careful consideration and prudent attention, especially if ,for any reason, some new unavoidable requirement to use NZDF were to arise ,causing NZDF to have to dig even deeper in terms of operational tempo and depth of competencies.

Thank you for listening.

