

STRATEGIC BASIS OF AUSTRALIAN DEFENCE POLICY (1968)

Editor's Introduction

By mid-1968, 'Konfrontasi' was over and, following anti-communist purges by the army, Suharto had succeeded Sukarno as President of Indonesia. ASEAN had been created, and Britain had announced its withdrawal from 'East of Suez'. Australian forces were engaged in combat in Vietnam where the Tet Offensive caused widespread consternation about the progress of the war.

However, great power relations were stabilised by deterrence and détente and were becoming a source of stability (paras 29, 30, 55, 115). The main military challenge was countering insurgency, and a whole section of the document was devoted to the primarily political and economic nature of the problem (paras 127-135). Communists were successful in Vietnam and Laos, but Thailand was unlikely to fall and the US would remain committed to its defence (paras 71-73, 124, 136-139). Indonesia, Malaysia and Singapore had become more stable, and had 'decisively defeated' domestic communists (paras 78, 170). Regional governments required assistance in addressing the economic and political sources of insurgency, and a benign regional order might lead to a 'modus vivendi' with China and North Vietnam (paras 145-155).

'[T]he most difficult type of situation' a hostile Indonesia could pose into the 1980s was an invasion of Papua New Guinea (para 218). Developing forces for an invasion of Australia would take time and the invading force would be vulnerable to interdiction and counterattack (para 216). But a hostile Indonesia might harass North Australia or PNG – threats Australia had to be able to counter independently due to US reluctance in deploying forces (paras 105-107, 109, 163-165, 217-220).

Australia should use political, economic and, in Malaysia and Singapore, limited military means to reassure regional countries, and highlight the common interest in keeping communism at bay (paras 97-100). In the short term, Australian forces would remain in Vietnam, Malaysia and Singapore (paras 181-184). After a settlement in Vietnam, Australia should neither station forces in the region indefinitely nor exclude deploying them there from Australia – under SEATO or other arrangements if circumstances required (paras 176-179, 185-187, 200). Greater independence from the US would lead to greater discretion in the use of force, and developing forces with a capacity for independent action would provide insurance should the new policy fail (paras 187, 189-191). A robust intelligence capability was also required to provide strategic warning (para 222).

In very general terms, the document demands that Australia's forces be capable of operating in South East Asia as well as in the defence of Australia, be flexible and self-contained, and avoid specialisation while maintaining counterinsurgency capabilities (paras 208-209, 213). Offensive capabilities were required to deter Indonesia or interdict its forces should it rearm (paras 210, 211). There was no present requirement for nuclear weapons but Australia should remain free to reduce the lead-time for their development even under the Non-Proliferation Treaty, 'should a serious breakdown in the international order appear likely to develop' (para 229).

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CONTENTS

	Paragraph
PART I — INTRODUCTION	1
PART II — AUSTRALIA'S STRATEGIC SITUATION	
1. Forces for international stability	28
2. Australia's geo-strategic situation	34
3. The Asian mainland	50
4. Malaysia, Singapore, Indonesia, The Philippines	77
5. Australia and New Guinea	104
6. The British withdrawal	112
7. USSR interests	115
8. The United States' interests and policies	118
9. The threat of insurgency	127
10. Political and economic aspects	148
11. The likelihood of direct aggression against Australia	156
12. Australia's strategic interests	167
PART III — FUTURE DEFENCE POLICY	
1. Introduction	168
2. Our Defence policy	172
3. Continuing and potential commitments	192
4. Development of defence capability	206
5. Nuclear capability	227
6. General consideration	230

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STRATEGIC BASIS OF AUSTRALIAN DEFENCE POLICY—1968

PART I—INTRODUCTION

1. The purpose of this paper is to determine the strategic basis of Australian defence policy.
2. The paper is divided into three main parts. Part I describes current strategy and policy and principal factors requiring their review. Part II examines the various factors and situations that shape the Australian strategic situation and assesses the nature of Australia's interest in them. Part III discusses strategies, consonant with the circumstances that face Australia in the years ahead and their more important implications.
3. For the purposes of this paper time scales are defined as follows:
 - a. *Short Term* i.e. up to the final British withdrawal from Malaysia and Singapore at the end of 1971 and/or the end of tapering down of the Vietnam War, wherein our present commitments limit our freedom to make basic changes of strategic policy.
 - b. *Medium Term* i.e. during the 1970's, in relation to which reasonably accurate information is available on which to base forecasts of likely developments.
 - c. *Long Term* i.e. into the 1980's which is the period during which development cannot be forecast with any certainty but which must be considered in relation to the long term development of our defence capability, and particularly the acquisition of long lead types of equipment e.g. vessels and aircraft.

Current Strategy and Policies

4. The aim of Australian Defence policy is to ensure the security of Australia and her Territories. To achieve this aim, Australia has adopted a forward defence strategy relying primarily on collective security arrangements with major allies with whom we have participated in measures for the containment of communism and the establishment of security and stability in South-East Asia.
5. In the implementation of the forward defence strategy, Australia and her non-Asian allies have maintained a forward defence posture by the continuing deployment of appropriate forces to South-East Asia. Australia's political and defence policies have been aimed at encouraging South-East Asian countries to develop:
 - policies promoting political stability and economic growth;

- their own defence capabilities in association with Western defence forces located in the area; and
- regional cooperation.

6. Concurrently with maintaining a forward defence strategy, we have recognised that we must be prepared to deal independently with any situation which directly threatens Australia's territorial interests and in which either we could not reasonably rely on receiving help from our allies, or some time might elapse before help from our allies arrived. Our forces deployed in South-East Asia have been regarded as part of our independent capability.

7. Our current policy and strategy evolved during the period since World War II and is based on the Australian strategic assessment that Australia could ultimately become exposed to threat by the spread of communism in an insecure and unstable Asia. Early perception of the situation was strongly influenced by the turbulence attending the withdrawal of the former colonial powers, by the establishment of a militant communist regime in China, and by the formation of the Sino-Soviet bloc. Since then there have been the Korean War, the Emergency in Malaya, Confrontation of Malaysia by Indonesia and the Vietnam War.

8. Australian strategy has developed around the concept of the establishment of secure and stable independent nation states in South-East Asia with which Australia could establish cooperative relations and which might serve as a shield against expansion of Chinese Communist influence.

9. Australia encouraged and supported the substantial British and United States involvement in South-East Asia. Our hopes of increasing our influence and of consolidating Britain's and the United States' interest in the protection of Australia, together with the obligations arising from our declared identity of interest with them, have drawn us increasingly into their political and military commitments.

10. At the same time, Australia established an independent diplomatic presence in South-east Asia. It has sought by political and economic policies to promote stable and constructive government and the acceptance of Australia as a sympathetic country with legitimate interests in the region, willing and able to make a useful contribution in various fields but unlikely to threaten or seek to dominate anybody.

11. To a large extent Australia's success in so establishing itself in South-East Asia has depended upon its close association with Britain and the United States and upon its military contribution to their efforts. It would otherwise have been very difficult for Australia to have achieved its present political status in South-East Asia.

International Arrangements

12. Historically, Australia's post-war involvement in South-East Asia began with the Commonwealth arrangements of 1946, later known as ANZAM, which became linked with the restoration of a British military structure for the defence of the Malayan area.

13. The establishment of SEATO in 1954 committed the United States by Treaty to the areas immediately north of Malaya/Singapore, except Burma, and extended Britain's and Australia's strategic commitment. It is the current vehicle for Australia's policies for security and stability in mainland South-East Asia. While the UK withdrawal in 1971 will carry a stage further the decline in the effectiveness of SEATO, the US remains the keystone.

14. For the defence of Australia itself, the British interest and obligation remained unwritten and the British military strength at Singapore made unnecessary detailed planning involving the British in our direct defence. The United States interest is embodied in the ANZUS Treaty of 1951, which with the growth of American power and presence in the Pacific, has progressively become the foundation of Australia's security. It is of first importance to the direct defence of Australia against attack from any quarter and to the prior deterrence of any such attack. The provisions of the Treaty also ensure a close American interest in the policies applied by Australia for security in Asia, although the extent to which the United States provides guaranteed backing, except in relation to the SEATO area, is indeterminate. Its relevance to a situation in which we might be directly threatened is not seriously affected by the possibility of changes in the pattern of US involvement in Asia. It provides favourable opportunities for Australia to influence US thinking and attitudes.

15. With the imminent withdrawal of the United Kingdom, a new development is five power consultations on arrangements for the defence of Malaysia and Singapore. This is likely to be the main framework in the short and medium terms for Australian policy in Malaysia and Singapore, and for continued encouragement of United Kingdom interest and participation in the area.

16. In addition to these primarily defence arrangements, Australia has participated in regional economic arrangements, such as ECAFE and the Colombo Plan, and since 1966, in ASPAC, a regional consultative organization combining certain East Asian and South-East Asian states. In this way, it has sought to promote economic progress and political cooperation in the region. Australia has also established bilateral defence aid programmes in Malaysia and Singapore and given economic aid under SEATO.

17. As well, there are the obligations and restraints that flow from membership of the United Nations which is an important field of global political manoeuvre in which the divisions between power blocs and between older and newly developing countries are major factors. With the increasing number of member nations and growth of power in this forum of the Afro Asian and Latin American countries, Western initiatives and actions related particularly to security or to trust territories, such as New Guinea, can be seriously frustrated in the General Assembly. This situation is unlikely to change.

18. As well the UN continues to be involved in the yet unconcluded Korean War.

Reasons for Review

19. Various changes in the situation now require review of the Australian role. They are, first, the British intention to withdraw its military forces from East of Suez by 1971. This has far-reaching implications for our positions in Malaysia/Singapore and in SEATO, which have developed in the framework of the British presence and still partly depend on it, and for the security of our Northern and Western approaches. Second, uncertainties have arisen about the United States' deployment when its present large-scale involvement in Vietnam ends.

20. These factors have raised fundamental questions about the tenability of our present policies. Even were we confident of ultimate support by our major allies, have we, without their close support, the resources and skills, political, economic and military, to continue our present type of effort, or some other more appropriate type of effort, and would it be effective enough to be worthwhile? And assuming this confidence proved to be misplaced, what then?

21. Thirdly, there are qualitative changes in the situation in South-East Asia that call for review of the forward strategy and decision as to whether the type of role we have developed and sought from our allies is still appropriate. On the debit side insurgent activities have increased in some countries. On the credit side, is the radical change that has come over Indonesian policy attitudes and improved economic and political conditions notably in Malaysia, Singapore and Thailand.

22. Another major factor is Japan whose economic stake in South-East Asia is substantial. Put at its lowest, increasing Japanese interest and influence in the political and strategic questions of the South-East Asia area are to be expected.

23. Finally, there is the growing military capability of Communist China, particularly in the nuclear weapons field.

24. These changes in the external situation coincide broadly with growth in Australia's national capability, including military capability, and with the emergence of a situation in which some, at least, of our friends e.g. Malaysia, Singapore and the USA hopefully look to us as a continuing source of contributions to the security of South-East Asia, both in policy initiatives and material strengths.

25. It is not too early in this paper to emphasise that it is no part of Australia's role for the future to step into the shoes of the UK in South-East Asia. This already has been made clear in Government pronouncements. Nor, by the same token, is it to be thought that Australia can increase its commitments to take up whatever burdens that the US may elect to cast off.

26. We must also beware, as we discuss strategic policy, to avoid considering the problem as one of purely military significance. Strategy embraces political, economic and social objectives equally with military, and sometimes the former may be more important.

27. There must always be a close inter-relationship between defence policy and political and economic policies. A basic objective of our forward defence strategy has been the encouragement and support of Britain's and the United States' efforts in South-East Asia. Australia at no time has had, nor is it likely to have in the foreseeable future, the capacity to intervene on a decisive military scale. The security and stability that our strategic interests require cannot be achieved solely by military measures. The Vietnam War has amply demonstrated the fundamental fact that where governments are politically weak, administratively incompetent and unable to attract loyalties by drawing the population into effective programmes for economic reform and growth, then the military force faces an almost impossible task in countering insurgency.

PART II—AUSTRALIA'S STRATEGIC SITUATION

1. FORCES FOR INTERNATIONAL STABILITY

28. Since the defeat of Germany and Japan in World War II, the balance of power has rested principally in the relations between the USA and the USSR. There is a deep and abiding world wide conflict between them arising from their different social and political systems and competing interests. The USSR will continue to exploit situations and exacerbate tensions wherever it safely can.

29. The establishment of the nuclear balance between them has led to a complex strategic relationship in which they seek above all the avoidance of situations in which they might be faced with a choice between strategic withdrawal or nuclear confrontation. This common interest has in recent years established something in the way of a *détente* between them which recognises that each has certain primary spheres of influence and puts pressure on them to work for the stable management of major international disputes that could directly involve them. An important requirement of this relationship is the non-proliferation of nuclear weapons among other states, since proliferation would not only prejudice the dominant status of the USA and USSR but, more damagingly, introduce an uncontrolled factor in tense situations that could involve both the USSR and USA with devastating speed. The common need to respond to China's nuclear progress has been an important factor in the relationship between the USSR and the USA.

30. A second major development in the post-war era has been the change in the character of international relations brought about by the extension of the nation state throughout the globe. Earlier, the world was one of a number of large Powers competing through shifting alliances for advantage in a balance of power, and seeking to extend their power by imperialist means into large parts of the world outside the established international community. Conventional military manoeuvring and war between nations was part of that world. Generally speaking, the hallmark of recent years has been the management and control of great blocs of power that seem to be of long-term duration, despite some lessening of internal cohesion. Problems and tensions arise at many points of contact, such as the divided states of Germany, Korea, Vietnam and China. However, while all the nation states cannot be assured of a future, it probably is the case that a well established and integrated nation enjoys a substantial measure of protection from conventional aggression and attempted conquest by the requirement for stability between the Great Power blocs, and by the substantial international interest now vested in the maintenance of the integrity of nation states.

31. These developments are very much in Australia's interest. The relaxation of US-USSR tension, the restraints on situations that might lead to general war and the efforts to limit international conflicts and to maintain the integrity of nation states are all highly advantageous to Australia's security. In particular a situation in which both the USSR and the United States were committed to containing China, including the use by China of her nuclear capability, would be of great importance to our security.

32. However, the situation will be subject to great strains, and it will often not be possible to prevent clashes between nations nor always be easy to limit them. The Arab/Israeli situation is a cogent illustration of this.

33. Finally, Australia is not to be seen as insulated from what happens beyond the oceans that surround it or South-East Asia. Events much further afield can have a profound impact on Australia e.g. on the free flow of critical supplies.

2. AUSTRALIA'S GEO-STRATEGIC SITUATION

34. Australia's chief market and sources of supply, capital and immigrants are still predominantly in Europe and North America, and these are the countries with which Australia's ties are the strongest. However, there has been a major growth of trade in recent years with Japan and China, and a steadily growing interest in Asia and in the Australian community. Relations with Japan in particular are certain to continue to expand significantly throughout the period of this study.

35. From all of these countries Australia is relatively isolated. Its population is concentrated in the East, South-East, and South-West sectors of the Continent, but there is rapid development of resources including strategic minerals, in the North and West. In some of these minerals Japan has a critical interest.

The Indian and Pacific Oceans

36. To the East and West, Australia is dependent on free passage across the Pacific and Indian Oceans for movement of the bulk of her trade, and for receipt of defence support from her major allies. We have, therefore, a permanent interest in the security of the strategic approaches and of our lines of communication across these ocean areas, and in the intentions of any power capable of exercising a significant influence in them. The fact that the bulk of goods flowing to and from Australia is moved in bottoms that are not Australian or American carries some reassurance in that it decreases the risks of hostile action against them.

37. The decline of British power in the Indian Ocean opens the way for others to exercise greater influence there, and in the countries bordering it. The USSR's activities, there, and in the Middle East, and the Persian Gulf are already apparent, and increasing. The USSR's efforts to develop and use overseas ports and facilities can be expected to grow as part of its effort to strengthen its global position. Of the powers bordering the Ocean, only India and to a lesser extent South Africa, can exert some degree of influence. Britain is likely, at least into the 1970's, to retain some island territories for communications and staging facilities. The United States has shown some interest in the Indian Ocean and facilities there which it is in our interest to encourage, and this plus the residual British interest, will be the main counter to Soviet influence. While the new countries of the area may regard the establishment of bases by overseas powers as incompatible with their sovereignty, and this will work against permanent bases being established, there is no reason for supposing that they will on all occasions refuse refuelling and reprovisioning facilities to the navies and air forces of overseas powers. In this situation, the availability of Australian bases in the West and North-West may assume greater importance.

38. Australia has island territories in the Indian Ocean, including the Cocos and Christmas Islands, but it has been assessed that these are not of sufficient strategic importance to warrant special defence measures for them.

39. In the Pacific Ocean, the United States has security treaties with Korea, Japan, the Republic of China, the Philippines, New Zealand and Australia. The United States appears likely to retain its dominant position in the Ocean at least through the seventies. While the United States and France are likely to retain control of their Pacific territories, the British territories could move to internal self-government or independence within the next ten years. It is likely that Australia will need to take an increasing interest in the stability and security of these latter territories during the time-scale of this study. The United States can be expected to share this interest.

40. Soviet submarines are capable, and by the medium term Communist Chinese submarines will be capable, of nuclear attack on Australia from the Indian and Pacific Oceans. As discussed later in this paper, this risk is not assessed as significant. In any case it can only be countered in the framework of wider strategic deterrent policies. In other respects, the great expanse of the Indian and Pacific Oceans affords our Continent and certainly the eastern and western approaches to it and our lines of communication to our major trading and political partners, a measure of security. This is reinforced, in the case of the Pacific Ocean, since the USA should probably continue to be the dominant influence. Whether, in the case of the Indian Ocean, a dominant influence will emerge appears less certain. In some degree it depends on the extent of USSR activity in the area and the US response to it.

The South

41. To the south of Australia there are the Southern Ocean and the Antarctic land mass. The Antarctic Treaty of 1959 stabilised territorial disputes in this region and prohibited the use of Antarctica for military or defence purposes. The Southern Ocean is a difficult and unlikely route of approach to Australia by any hostile power intent on attacks on the mainland, but this does not exclude the risk of submarine activity.

42. Australia's security is further reinforced by this situation to the south. The region is unlikely to be of significant defence interest in the time scale of this paper.

The North

43. To the north, Australia is separated by no such expanses of Ocean: the countries of South-East Asia and its island extensions are close at hand. These countries have, except for Thailand, only achieved independence from colonialism since World War II. They have large and rapidly growing populations, but their economic development is slow and uncertain, and they suffer many instabilities. The weakness of these states could facilitate the expansion of unfriendly power closer to Australia.

44. The closest of these countries to Australia, Indonesia, is also the largest. Its weakness and instability, as well as its potential for power, will be of continuing concern to Australia. It lies astride some of Australia's important lines of communication, and has a common border with Australia in New Guinea. In New Guinea, because of its strategic situation guarding our Northern approach, Australia has a permanent interest.

45. The Territory of PNG, which could attain independence in the medium term, is also of strategic importance because of its potential as a base for the conduct of activities or operations prejudicial to Australian interests. In the interest of Australian defence, we will wish to ensure that TPNG is orientated towards us, and to retain some defence link with TPNG in order to deter an external threat to the area and secure our lines of communication.

46. Further north, the Philippines also commands alternative lines of communication to the countries of East Asia. Further north again, the nearest large powers to Australia are China and Japan. With its enormous and rapidly increasing population, growing military capacity and militant communist regime, China – with which we have to associate North Korea and North Vietnam – will continue to be a major factor in the security and stability of the area to Australia's north during the period of this study. The substantial and growing ties between Japan and Australia have already been noted.

General

47. There have been no occasions in recent history of attacks on major lines of sea and air communication, except in the two World Wars. In the event of another global war, the task of keeping lines of communications open would necessarily be undertaken on an ad hoc basis, in the aftermath of nuclear exchanges. In limited wars, enemies would have capacity to interdict lines of communication. However, there would be strong pressure to limit attacks to the actual area of operations because of the international interest in sea and air routes. Relevant again is the large proportion of our commerce carried in ships that are not Australian or American. Communications are more likely to be interrupted by political measures, such as the denial of passage or entry by aircraft and vessels and oil embargoes, than by direct attack.

48. In the time frame of this paper, the facts of Australia's geographical situation, outlined above, are predominantly favourable to its security. Because of its isolation and the size and type of forces required to overcome this, Australia is relatively immune from direct invasion from any quarter, but not necessarily from other forms of attack. Its major lines of communication across the Indian and Pacific Oceans are unlikely to be seriously disrupted, except in general war.

49. More vulnerable is the security of its lines of communication and strategic approaches to the north. In all this, the continued alliance with the USA adds a factor of reassurance.

3. THE ASIAN MAINLAND

China

50. China is of key significance in the shaping of Australian strategy and this section briefly examines the policies and capacity of China, and assesses the extent to which it is likely to seek to achieve a significant change in the balance of power in South-East Asia.

51. Primary factors currently shaping Chinese policy are, first, its violent reaction to its recent history and its determination to recover a leading place in the world; and secondly, its highly doctrinaire ideology for world revolution centred on China. Militant nationalism is a major feature of both factors.

52. It is important to note that China does not contemplate the achievement of revolution by direct military conquest. Its emphasis is on the safe-guarding and consolidation of the “revolutionary base area”, China itself. The revolutionary struggle elsewhere is presented as primarily a task for domestic forces. The United States is the main enemy, but China currently condemns Soviet policies as a betrayal of the communist cause and there is intense political conflict between Moscow and Peking.

53. In respect of both the USSR and the USA, the nature of China’s immediate strategic interests reinforces the political conflict. Geography exposes China directly to Soviet military power, and to the East and South the United States’ ascendancy is seen by China as a continuing source of danger.

54. China’s present military posture and policies reflect this situation. China already has a considerable military capacity, particularly in the Army, to conduct large scale military operations in adjoining countries of Asia, and will continue to improve this capacity; but is unlikely to use its forces unless China considers itself threatened, or for limited strategic or political advantage, as in India in late 1962, or to ensure the survival of a bordering country as a communist state. Chinese military policy is at present geared to the defence of the homeland, and it appears fully aware of the dangers to it of any large scale military intervention outside its borders.

55. China’s caution can be expected to be reinforced with the growth of its nuclear capacity. China’s nuclear policy is aimed at Great Power status, deterrence against pre-emptive attack and intimidation of neighbouring countries. Until recently the Chinese have discounted the nuclear threat as a “paper tiger”; however, as their own nuclear capacity increases they may experience the same inhibitions as other nuclear powers, and come to understand how doubtful are the advantages conferred by a nuclear capacity inferior to that of the USSR and USA.

56. China’s domestic weaknesses currently limit the projection of China’s power abroad. Its vast population is unmatched by resources and economic development. Its grain situation also inhibits development. The “cultural revolution” has caused major disruptions though their precise effect is difficult to measure. Yet such has been the speed of development in China, particularly in relation to her technology, that it would be incautious to imagine that these limitations will persist through the course of the time period covered by this paper.

57. While a fundamental improvement in relations with the USSR appears unlikely in the short run, the possible emergence of a more pragmatic regime in China, as a result of resistance to the cultural revolution or following Mao’s death, could lead to an improvement in relations. Such a development could permit some cooperation in anti-Western activities. Such cooperation would be limited by the rivalry between the two great powers which will continue to be concerned with separate national interests. Much will also depend on the then attitude and relationship of each to the United States.

58. In time, it can be expected that more pragmatic elements may emerge. In this event, there could be a conflict between them and the doctrinaire extremists who would wish the regime to continue with Maoist policies. Serious instability in this situation would revive China's ancient problem of central political control. Pressures of internal problems could lead the pragmatists to mobilise support by seeking to demonstrate the restoration of China's national power, a basic revolutionary objective, by a more militant attitude in the field of external relations.

59. Apart from Vietnam, where China aids the North's military effort on a large scale, subversion and insurgency currently afford China its main opportunities to extend its influence in the neighbouring regions of its main strategic interest.

60. Its support is principally in the form of political agitation and indoctrination, the training of political cadres and military and guerilla training, the establishment of agents, broad instruction on political and insurgency tactics, some supply of armaments, other material and finance and the provision of safe havens. Direct Chinese involvement is limited and, apart from Vietnam, tangible aid in significant quantities is at present confined to Laos, Thailand and Burma. China looks to the development of secure areas from which insurgents can engage governments in protracted and costly operations, and promote political instability. Where large scale insurgency situations can develop, China can be expected substantially to increase its support, but to continue to avoid direct involvement. China would seek to exploit these developments to weaken support for the United States position, and establish its own influence.

61. The situation in South-East Asia presents the Chinese with favourable opportunities for the promotion of its influence without risking a nuclear or conventional confrontation. If conditions remain unstable, and this seems likely, the Chinese will be encouraged to attempt a significant expansion of influence in South-East Asia, which the United States and its allies would find difficult to counter. However, insurgency presents China with considerable problems also.

62. First, it requires the requisite degree of popular disaffection and though China can exploit and stimulate this, its sources are usually indigenous, and second, as the emphasis in the regime in China changes from revolutionary doctrine to pragmatic nation-building, the requirement to establish and stabilise inter-state relations will grow. Where China seeks diplomatic influence, it will doubtless also consider modification of its insurgency policy.

63. Just as in China itself, nationalist spirit is strong in Asia, and China cannot expect to retain control over revolutionary forces there. For example, however the Vietnamese conflict ends, China may not be able substantially to expand its influence, let alone its control over the Vietnamese regime.

Japan and India

64. Japanese and Indian interests are also involved in the balance of power in Asia. The United States' containment of China meets their requirements.

65. Japan's status and influence as a major economic power gives it a basic interest in stability in Asia. It could be attracted to closer economic relationships with China. It is heavily dependent on overseas sources for its raw materials and has in respect of these growing stake in Australia. It is likely to exercise progressively larger influence in the political balance of the area and provide in this way some counterbalance to China.

66. Japan, which already has a substantial conventional military capacity by Asian standards, would be capable of a major expansion of her forces within 12 months of a decision to do so. We would expect to have probably two or three years notice of Japanese development of a nuclear weapons system. There are repeated indications that the United States would like to encourage a more active strategic role by Japan, and it could be to our advantage not to discourage this, so long as the outcome was that Japan remained Western oriented. However, the US already appears apprehensive that mounting Japanese opposition will lead to US withdrawal from Japanese bases – the Security Treaty between the two countries is due to be re-negotiated in 1970.

67. While there is no sign at present that Japan will re-emerge as a major military power, its interests in sources of supply of its raw materials may lead it to think of the need for protecting its lines of communication. Since Australia is a principal source of supply, conceivably Japan's interest may work to support our interest. Any significant US withdrawal from Asia and Western Pacific bases, or downturn in Japan's economic activity or simply a recognition or acceptance by Japan that it needs a stable and independent South-East Asia could promote Japanese attention to a revived military role. Such a development would change the existing power structure, and it will be to our interest to take positive steps in the political and diplomatic fields to induce Japanese policies to be favourable to ourselves. While Japan is something of an enigma, bearing in mind the vastly different circumstances of the world of the thirties, it is not considered that Japan will present a military threat to Australia during the period covered by this study. Rather to be expected are economic pressures on Australia.

68. India could become a nuclear power during the period covered by this paper, but its potential to influence the strategic situation is limited by its many political and economic weaknesses and its pre-occupation with Pakistan. We would expect to have two to three years notice of Indian development of a nuclear weapon suitable to its own current means of delivery. India's interventions are likely to be more in the political field, where it is already active and has definite policies not all favourable to Australian interest. India's significance over the next two decades is likely to be mainly in respect of its own relations with China. The conflict between the two is deep seated, and should continue to engage considerable attention from China.

Burma and North-East India

69. Apart from Thailand, Laos and Cambodia, the area most vulnerable to military attack, because of its proximity and weakness, is Burma. An attack on Burma is considered unlikely, and the Indian interest would be involved. Burma is non-aligned and permits no significant foreign political or military presence that might threaten China. Chinese support for the insurgents will continue and efforts to develop the base there for insurgency operations in Thailand are likely to increase. China will continue pressure against north-east India by support for the Nagas, but will be unlikely to intervene militarily directly. If China secures the ascendancy in Burma, it would open the way to a Chinese base on the Indian Ocean.

Other Sources of Tension

70. There is the possibility of conflict in Asia e.g. between India and Pakistan, which would contain in themselves a risk of intervention by the major powers. Present indications are that the USA and USSR would work towards containment of such conflicts. The USA would be involved if armed attacks occurred on Taiwan or the Republic of Korea.

Overt Military Threat from North Vietnam

71. In the absence of United States forces, the North Vietnamese have the military capacity readily to overrun Laos and Cambodia, and the unification of colonial French Indo-China was earlier one of their political slogans. Should the conclusion of the present conflict in Vietnam not establish effective restraint on the North Vietnamese, both Laos and Cambodia could be exposed to threat from North Vietnam and so ultimately could Thailand.

72. Overt military attack would however, present problems to the North Vietnamese. Apart from the major risk of renewed conflict with the United States and SEATO, military operations in Thailand in particular would be a different proposition from the war in Vietnam. In the large areas of Thailand free of disaffection and insurgency, the Vietnamese would lack the political advantages on the ground that have been so important to them in the current conflict. International opinion would be alienated. As well, the situation in Vietnam itself could impose restraints. Whether Hanoi finally prevails in South Vietnam or not, it will for many years have to pay considerable attention to the situation there.

73. These considerations support the assessment that North Vietnam will not make an overt attack against Thailand; nor possibly Cambodia; but it may make such an attack against Laos. Rather may its interests, in common with those of China, favour the course of insurgency or political pressure.

74. Australia's interest is that every effort be made:

- to preserve and consolidate a viable political opposition to Hanoi in South Vietnam and to develop supporting military capacity there.

- to discourage and control Hanoi's ambitions in Cambodia and Laos, both in the conditions finally established for the United States' withdrawal from Vietnam and by securing international support for the independence of these states, particularly from the USSR.
- to ensure that the United States' withdrawal and its policy of self-help in respect of insurgency do not weaken confidence in its commitment to Thailand, and undermine its deterrent against North Vietnamese military attack.

The United States may be expected to press for effective support from its allies in these respects.

75. In South-East Asia itself, all the states fear possible expansion by China and some by North Vietnam and, despite non-alignment in Burma, Cambodia and Indonesia, are basically dependent on the United States holding the balance of power. Even were they to succeed in uniting their efforts, these states could not contain China by their own efforts. However, their growth and stability and development of national spirit are necessary conditions for United States policies of continued support and for the denial to China and north Vietnam of opportunities for exploitation.

76. It is in this background that the continued importance of SEATO rests. It remains the principal instrument for collective security in South-East Asia and an important vehicle of the United States' policy for the defence of Thailand. So long as the threat from China and North Vietnam exists, it is important to Australia that SEATO be maintained until some more effective arrangements emerge.

4. MALAYSIA, SINGAPORE, INDONESIA, THE PHILIPPINES

77. These countries constitute a sub-region in Asia. They are bound not only by geographical proximity, but by the nature of the geography (peninsulas, archipelagoes and islands). The national configurations inherited from the colonial powers in many ways cut across traditional communities and suzerainties. Apart from Singapore, the central governments have problems in ensuring control of internal elements which want to link with or support similar elements in neighbours. They have problems in integrating their nations because of communal, ethnic and religious divisions. They have complex but basically hostile and fearful attitudes towards China, largely deriving, save in the case of Singapore, from dislike of the large immigrant Chinese communities in their midst.

78. In each of these countries the communists have in the past mounted a major challenge, but been decisively defeated. Strongly anti-communist governments – in the case of Indonesia only more recently – have kept them on the defensive. The communists must, moreover, work largely alone, often even with little contact beyond their own locality. North Vietnam's interest in the area is negligible. Broad guidance and political inspiration are provided from agencies in China, but material support by way of training, arms and other supplies is not significant. In Malaysia and Singapore the anti-communist governments seek to minimise China's contacts and despite strong chauvinistic and radical elements, the large interest of the Chinese communities in stability and economic progress provides significant insulation from China's subversive influence.

79. The principal situations in which serious tensions and instabilities arise or are likely to arise in the period of this study are:

- communal relations in Malaysia;
- disaffection in East Malaysia (and Malaysian relations with the Philippines and Sabah in respect of this territory);
- the struggle for power in Indonesia and the maintenance of effective central government throughout the archipelago; and
- Indonesian pressure against its neighbours.

Communal Relations in Malaysia

80. The chief source of tension and instability in Malaysia lies in the relations between the Malays and the Chinese. It is the root of the friction between Malaysia and Singapore and contributes to the disaffection in Sarawak. The continuing residual communist organization on the Thai-Malay border will again become a more serious threat if there is a breakdown in communal relations in Malaya. Under the Tunku's statesmanship relations have been stabilised, though he separated Singapore from Malaysia to maintain the position.

81. The relationship between the general communal situation and insurgent threat is difficult to determine. When the Emergency occurred there was a powerful, armed Malayan (Chinese) Communist Party widely organized throughout Malaya that was oriented to Peking and gained moral and political strength from the emergence of Communist China itself. That situation no longer obtains. Moreover, the Malaysia Chinese political stake in the management and preservation of the prosperous, modernizing, multi-racial system in Malaysia is now great.

82. The danger to the Australian interests lies in the prospect of a breakdown of communal relations and the resumption of the Chinese Communist challenge on a large scale. It is beyond the competence of the Malays, despite their superior military capacity, to cope with the resulting situation. Moreover, the Malaysian Government no longer has the prospect of the kind of large-scale support from Britain which saw Malaysia through the Emergency. In the event of grave deterioration, the danger would not be so much the replacement of the present moderate coalition of Malays and Chinese by a new political structure dominated by a largely Chinese communist element, but a protracted and destructive power struggle involving Indonesia and Singapore and plunging the area into disruption and instability.

83. Australia therefore has a basic national interest in the maintenance of the communal balance in Malaysia. It is important to us that:

- the insurgent pocket on the Thai-Malay border be kept localised, and eliminated as soon as possible.
- the general condition of the country, domestically and in its external relations, sustain confidence in its security and stability and that both the communities, including Singapore, be encouraged towards moderation and compromise.

If political stability can be maintained and internal security preserved there are good prospects that continuing economic advance and modernization will produce broadening strata throughout the country of moderate, progressive-minded groups in both communities free from the suspicions and antagonisms that now breed tension.

East Malaysia

84. In East Malaysia (Sabah and Sarawak) the communal problem also exists, but it is complicated by some separatist sentiment and various discontents among all communities with rule from Kuala Lumpur. There is growing appreciation that the two territories could not survive as separate countries and that Malaysia offers them the best available future. However, there will be problems with the central government for years to come.

85. The communists have established an organization in Sarawak capable of localised insurgency which is not assessed as a major threat in itself, particularly in view of Indonesia's action in sealing the border and attacking the left-wing Chinese in Kalimantan. The chief danger is that in dealing with it, and in their general conduct of administration in the territories, the Malaysian Government might promote disaffection, inflame communal antagonism and give insurgency a wider base.

86. The second source of instability is the status of East Malaysia. This is currently disputed in respect of Sabah by the Philippines. Brunei, a tiny independent enclave, cannot defend itself, and so far has depended on the withdrawing British. Indonesia has interests and suppressed ambitions. The present Indonesian Government hopes to submerge these ambitions in the wider context of cooperation with the present central government in Kuala Lumpur and regional stability.

87. Indonesia is aware that East Malaysia could not survive independently. The territory lacks resource for economic development, administration and defence. It would soon plunge into communal conflicts and chronic instability which would inevitably draw in Indonesia.

88. It is important to Australian interests that East Malaysia be stabilised as far as possible. Our interest is that East Malaysia remain a part of Malaysia and be supported as such, that the Kuala Lumpur Government succeed in winning local loyalties and that other States be restrained from interference.

Indonesia

89. So far Suharto's leadership, the strength of the Army and the weakness of other political elements have enabled him to retain support for the constructive and moderate role the Government seeks after the excesses of the Sukarno era. Its best prospects rest in the success of its economic and administrative policies in the next few years and skilful political tactics to ease discontent, deflate opposition and reward support.

90. If the regime cannot make enough progress in these directions its support will erode. There would be a resurgence of the divisive factors of communism, ethnic tension, economic separatism, religious reaction and mass discontent, threatening political cohesion and effective central government.

91. The survival of central government in the past, despite serious insurgency and regional discontents, gross maladministration, suppressive politics and major economic rundown, suggests that the fragmentation of the country is unlikely. Nevertheless, the weakening of effective central government, greater regional autonomy and growing areas of insurrection would create in the future, as in the past, uncertainties about Indonesia's ability to survive. Fragmentation would invite the attention of neighbours as well as outside powers and deny the dangerously over-populated island of Java control over the resources and space of the outer islands.

92. Furthermore, a weak central government may be unable to retain support for necessarily slow, austere programmes of economic revival. It may feel compelled to tap the latent nationalism of the country and the strong feeling that Indonesia has the natural right to regional predominance. In addition, a weak central government may find it increasingly difficult to control and discipline other organizations and forces within Indonesia, which have interests and ambitions outside the country, for example in agitation in Malaysia against the Chinese or among traditionalist Malay and Islamic elements there.

93. The possibility of failure to maintain stability and cohesion thus raises uncertainty about Indonesia's international conduct in the late medium term of this study and beyond. Resurgence of communism – and the emergence of the PKI in Java and the present Government's response to it are to be noted – leading to a pro-Communist regime in Indonesia, supported by China, would present a real threat to Australia's interest and security.

94. These internal pressures are at a relatively low level at present. The external policies and conduct of the Suharto regime have been constructive and cooperative. It has shown no interest in external interference and has sought to stabilise relations with Malaysia and Singapore on a basis of mutual respect and confidence. It has cooperated with the Malaysians in operations against the Sarawak communist insurgents on the Sarawak border. Its approach to the ASEAN regional organization shows no inclination to use this as a vehicle for ambitions of regional dominance.

95. However, it cannot be assessed with confidence that Indonesia will continue to pursue this subdued role through the whole time scale of this study. Nor, given outside substantial help, can it be assumed that Indonesia could not within a short span of years present a formidable military capability.

96. Indonesia, short of this, might wish to assert itself more forcibly and to take a closer interest in political, communal and security situations in Malaysia that it considers affect its interests or in respect of which its own domestic politics require it to take an attitude. It cannot always be expected either that Malaysia and Singapore, particularly with their large Chinese populations, will avoid provocation or prejudice to Indonesia. Any serious attempt by Indonesia to enlarge its influence into Singapore and Malaysia would have deep repercussions in those countries, affecting the communally balanced political structure. Nor would Indonesia domestically be immune from the tensions thus created.

97. Australia wants a unified Indonesia which is a major element of stability in the overall Asian power balance and part of Australia's strategic shield. In order to bring this about, however, Indonesia must live and develop within an orderly and disciplined international framework. There will be significant scope in the political and economic fields to influence Indonesia in the direction of moderation and restraint.

98. Adequate defence and diplomatic support for Indonesia's neighbours will continue to be an important part of the framework. There is suspicion and anxiety in some quarters in Malaysia and Singapore regarding Indonesia – among the Malay leadership and particularly the Chinese, who fear the hostile Indonesian attitude to their community. Relations are therefore delicate and will take time to develop the basis of trust and confidence necessary to the cooperative management of tensions. The degree of support which Commonwealth countries continue to give to Malaysia and Singapore is important in building their confidence and giving them a sense of some security. The withdrawal of British protection and concern will leave these countries feeling both exposed and vulnerable in external security terms, and more insecure in terms of internal stability. One of the main values of maintaining the Commonwealth Five Power defence concept is its contribution to the building of confidence.

99. The presentation of this to Indonesia requires careful handling, although the present moderate leadership is well aware of the present situation, accepts it and may even support it. Uncertainties about Indonesian conduct relate to the late medium period of this study and beyond. In the short term and into the 1970's, the situation in Indonesia is unlikely to lead to a significant revival of extremist policy and pressure against Malaysia and Singapore. The maintenance of Commonwealth defence support in the earlier period is therefore of significance principally in relation to Malaysia and Singapore, rather than to any Indonesian interest. If their relations with Indonesia can develop on a basis of confidence, situations leading to tension and instability will be much more susceptible to statesmanship and diplomatic handling. If the evolution of Indonesia is in the directions we want, there are reasonable prospects of ad hoc security cooperation in the short term and deepening sense of mutual security in the longer term among the ASEAN neighbours.

100. In this situation it appears desirable to present any Australian military role in these countries largely in terms of our contribution to the strategic deterrence of communist expansion in South-East Asia, and of the need to promote defence cooperation in Malaysia and Singapore and allow them to carry on with their governmental tasks without undue concern for their security and diversion of resources to unjustifiable military development. The Indonesians can see the point and advantage of this. It also enables Australia to talk usefully with the Indonesians in general terms about the need for security and defence confidence in South-East Asia, the basic requirement for the states' freedom from external pressure and intervention, the desirability of balancing military expenditure with economic development, and similar matters in which we seek to influence Indonesian attitudes.

The Philippines

101. The Philippines lie astride of Australia's air and sea lines of communications to the North. If Indonesia were to deny passage, the route via the Philippines to mainland South-East Asia could assume greater importance. There are signs of stress in the Philippines and prospects for stability will depend on whether progress can be made with economic and social reform. Failing this the opportunity could be presented for a popular uprising based on discontent already apparent. While early communist inspired action seems unlikely at this stage, serious disturbances could occur without communist instigation. There is at least a possibility that a government unfriendly to the USA will emerge in the latter part of the period covered by the study.

102. While nationalist opinions oppose the continued presence of US defence facilities, the economic and traditional ties with the USA and the Treaty between the Philippines and the US are very real factors in our favour. Current indications are that the US will, in the future, seek to retain its bases at Clark Field and Subic Bay but will reduce the dimensions of her total presence in the Philippines.

103. The dispute with Malaysia over Sabah provides another element of uncertainty.

5. AUSTRALIA AND NEW GUINEA

104. No Indonesian regime can be expected in the period of this study, to seek to establish dominance or control over Australia. Even in the case of a relatively powerful and politically hostile regime or a return to adventurism, there is no basis for expectation that such a major objective would acquire the necessary political and military importance in Indonesian national policy.

105. However, the uncertainty about the prospects in the long term for the stability of moderate and constructive government in Indonesia requires Australia to be in a position to protect its interests against any possibility of harassment in a less stable situation. The threat of harassment to Australia is discussed later in this paper. The land border in New Guinea provides Indonesia with opportunity for harassment, by the promotion of incidents, diplomatic tension and small scale military clashes, carrying the risk of escalation.

106. The likely continuation of instability in West Irian could also make for difficulties with Indonesia, which could be exploited by an unfriendly regime in Djakarta. Such a regime might also seek to interfere on a large scale in the eastern half of the island, particularly after direct Australian control there ceases.

107. Even with a regime in Djakarta well disposed to Australia, events in West Irian and TPNG could be beyond the control of either government, e.g. the growth of nationalism in either East or West New Guinea could lead to moves towards island unity, with consequent difficulties for relations between Australia and Indonesia.

108. At any time the Government of Indonesia will have a legitimate interest in the situation in eastern New Guinea and will be sensitive to possible prejudice to its territorial and political status in West Irian. It is important therefore, that potentially difficult problems in New Guinea affecting Indonesia continue to be handled, as at present, on a basis of confidence and cooperation and that every effort be made to prevent the attitude developing that conflicts are inevitable.

109. The indigenous forces in East New Guinea should be such as to be able to handle situations up to small border incidents and isolated incursions. Beyond this they would require military support. Should the Indonesians adopt "confrontation" tactics or promote significant instability in East New Guinea, the support required could become substantial. The likelihood of such situations developing is discussed later in this paper.

110. Australia's position in East New Guinea could also be exposed to pressure in the event of instability developing between Indonesia, Malaysia and Singapore, were we still directly involved in the defence of Malaysia/Singapore, or should we decide that the situation there required direct Australian involvement. The risk in this respect must be recognized; however, the point does not qualify, but adds to Australia's requirement for the encouragement of a general regional environment in which Indonesia can play a leading part without risk of tensions.

111. In future situations of tension with Indonesia, in respect of New Guinea or Malaysia and Singapore, there would be substantial scope for political and diplomatic activity, including economic pressures, by the various interested powers, to contain trends and situations threatening ultimate military confrontation. The United States will have a substantial interest, even if it should wish to avoid a direct military commitment. Indonesian uncertainty about the nature of the ANZUS relationship with Australia could provide an important restraining influence. However, both our own direct responsibilities and the United States' insistence on national and regional effort to maintain stability, require that our political and diplomatic action be backed by our own national military capacity.

6. THE BRITISH WITHDRAWAL

112. The withdrawal of British military power from Malaysia/Singapore by 1971 and the large reduction in its strategic support to South-East Asia will weaken the position in the Malaysian/Indonesian area. In respect of China and North Vietnam the responsibility for preserving the balance of power has been, and will continue to be, the United States. Britain's withdrawal will have little effect in this respect as Malaysia is not likely to be exposed to overt military threat from the north, certainly so long as the US presence is maintained in Thailand.

113. Although Britain's capacity to deploy forces rapidly will decline, it has declared that it will maintain a general purpose capacity which could be used in Asia. After 1971, Britain will have no forces declared to SEATO plans, though it will continue to support SEATO's work in other ways. It has not committed forces to the present operations in Vietnam and any use of its general purpose capability would be related primarily to its obligations in Malaysia. Only in the event of a major overt military attack against Malaysia, or against Thailand, posing a significant threat to Malaysia, might Britain again contribute air and sea, and possibly ground forces.

114. Britain could not defend Hong Kong against a Chinese attack and the Colony has no intrinsic strategic importance. China must reckon that action directed against Hong Kong could be seen as an indicator of a general change in China's policy and that pressure on Hong Kong could lead to political crisis and counter-pressure elsewhere. Hong Kong's importance to China as a source of foreign exchange is another and perhaps stronger influence restraining China.

7. USSR INTERESTS

115. The USSR regards itself as an Asian Power, is interested in future developments in the Asian region and sees itself in great power competition for influence in the region. In order to extend its influence, the USSR attempts to establish and maintain good relations with Asian governments whose independence it supports. It is unlikely either to seek a direct strategic role in the area or seriously to undermine the United States position. It regards the Chinese policy of fomenting "wars of national liberation" in Asia as contrary to its interest in international stability. The USSR's activity could in certain ways support Australia's interest and Soviet interest in the stability of the region is not necessarily to be discouraged. Although competition and rivalry will persist, both sides should be able to keep them in bounds. In respect of China, Western and Soviet policies have certain parallel interests.

116. The USSR's military superiority is an assurance against Chinese attack, but it could not remain indifferent to an expansion of China's power to the East and South, however much it might wish to see the United States' position there reduced. Both the need to limit China politically and militarily and the risks for the USSR in any major conflict between China and the United States, give the USSR an interest in the avoidance of any major change in the balance of power in South-East Asia. However as already noted, an improvement in relations between China and the USSR could permit some cooperation in anti-Western activities.

117. The existence of China as an unrestrained nuclear power poses a direct threat to the USSR and the USA. The possibility that China might use nuclear blackmail against other countries could face the United States and the USSR with the ultimate choice between concession to or nuclear confrontation with China. China's growing nuclear capacity, if not credibly deterred, could stimulate the proliferation of nuclear weapons among other states fearful of threat. Were China to come into major conflict with the United States, the balance of probabilities is that the USSR would seek to limit the conflict in order to avoid involvement. The requirements of the nuclear strategy of both these powers thus reinforce the policy for the containment of China.

8. THE UNITED STATES' INTERESTS AND POLICIES

118. At the end of World War II, the United States ran down its military establishment. However, Soviet expansion in Europe, the communist victory in China and the Korean War focussed public opinion on the need to counter what then appeared as a global communist threat supported by overt military action, and led to the policy of the "containment" of communist pressure wherever it occurred. In this period the United States developed a great military machine based on a general war concept and entered into a complex of security alliances about the globe. In Asia and the Pacific where it had long historical interests, it concluded defence treaties with Japan, South Korea, Taiwan, the Philippines, Australia and New Zealand and,

under SEATO, with Thailand. It developed important bases in Japan, the Philippines and Okinawa in an arc of islands in the Western Pacific and more recently in Thailand. It converted Alaska and Hawaii into States of the Union. The "containment" policy later led to United States involvement in Vietnam.

- 119.** A number of factors are currently stimulating review of this policy, principally:
- a. A United States re-assessment of the communist threat. With the many divisions in the communist world and the seeming trend of USSR policy towards peaceful co-existence and stabilization of the international order it is no longer realistic to speak of a threat from a monolithic world communist movement. Tensions between the communists and the "West" continue with the USSR continuing to exploit situations and exacerbate tensions wherever it safely can, but it is not necessary for the United States to intervene in all situations to maintain the central balance of power with the USSR.
 - b. The recognition by the United States that it cannot solve other countries' problems and be the "world's policeman", and that it wastes its resources in trying. There has been increasing emphasis on the need for other countries to work out their problems themselves, along with a questioning of a policy to aid irrespective of the nature of a country's regime and political values.
 - c. A growing pre-occupation with serious domestic problems in the United States itself, and a feeling that these matters should have priority over the difficulties of other countries. Serious though some of the domestic problems may be, pressures on the budget and particularly on the balance of payments may ultimately prove to be of more critical consequence.

120. Concern on these scores has found expression in some impatience with and vocal opposition to the Vietnam War. Strong domestic pressures can be expected to reduce the US overseas forces to a minimum. An outcome on Vietnam which enables the US to disengage its forces should lessen this pressure.

121. It is likely that once the situation in Vietnam permits the United States to disengage from its present degree of involvement, there will be important modifications in its attitudes and policies. It is not yet possible to say with any precision what these modifications will be. Thinking in the United States itself is unlikely to take firm shape until the prospect in Vietnam is clearer and the new US administration has taken over in 1969. However, it is possible to identify certain fundamental interests of the United States that must continue to shape its strategic policies. Some particular lines of policy can also be forecast from a study of current discussion in the United States and from the attitudes for which the presidential candidates are seeking popular endorsement.

122. The nature of the United States' global interests requires it to maintain power and influence in many parts of the world and it would be unrealistic to expect it to retreat to the isolationism of pre-World War II. The US is a Pacific Power and it cannot but maintain a military posture in the Pacific as part of its Pacific position. Inevitably it cannot but be concerned with countries bordering the Pacific and inevitably it must retain conventional forces in being to enable it, if it wills, to resist

overt aggression there without recourse to nuclear weapons. What is uncertain, at this stage, is where it will dispose those conventional forces and what will be their dimensions. While there may well be reductions in present strengths, it may be expected to sustain sizeable forces in Hawaii, Guam, Okinawa and Korea. Pressures to vacate bases in Japan and the Philippines could mount. The forces the US continues to maintain in Vietnam will depend on the settlement of that conflict. To date there is no indication of US intention to vacate bases in Thailand and its behaviour in this respect will be a key indicator to its strategic intentions. Clearly from our viewpoint the more forward bases and infrastructure the USA maintains the better, and not merely to permit quick re-entry and effective combat support.

123. Expansion of China's power into South-East and East Asia would directly affect the United States global position, not only in terms of power but in respect of the United States basic interest in stable global management and orderly political evolution.

124. The question of future intervention in South-East Asia on a large scale by the United States will depend to an important extent on the conditions of its disengagement from Vietnam, the circumstances in the area and the nature of any overt threat that might develop thereafter. The United States might well be unwilling to take effective action to preserve Laos and Cambodia. In such a case Thailand would be under great pressure and its belief in the United States' determination to defend Thailand would be shaken. If Thailand were lost this would radically alter the balance of power in South-East Asia and undermine the credibility of the United States' commitments in other parts of the globe. The USA can therefore be expected to work against the development of direct military pressure against Thailand and, of course, it has obligations under SEATO, and important bilateral undertakings, to defend Thailand against communist aggression.

125. Within the framework of its strategic deterrent, the United States is likely to insist that the countries of the region do more to contribute to the security of the region and, in particular, that they take primary responsibility for dealing with insurgency. The United States will not maintain forces specifically for commitment to counter-insurgency operations and considerable opposition can be expected for some time after Vietnam to any re-deployment of forces for this purpose. The United States will, however, have a continuing interest in the success of counter-insurgency work. It can be expected to stimulate this in key areas and to continue to provide significant economic and defence aid. It is to be hoped that, because of its own military experiences in Vietnam, it will place greater emphasis on the political, social, economic, and administrative measures necessary for effective counter-insurgency, as well as pressing for resolute military operations.

126. The United States has made it clear that it has no intention of making a direct military commitment to replace the British. It has expressed the view that the five Commonwealth Powers interested in the region should provide support, by their continued military presence in the case of Australia and New Zealand, and by economic and defence aid and diplomatic involvement. The United States appears to be prepared to be active in this region in these latter fields. Our own reaction to this should, of course, be dependent on what the US is prepared to do in adjacent areas.

9. THE THREAT OF INSURGENCY

127. Insurgency in South-East Asia is perhaps the greatest threat to stability and security. It may, as well, face Australia with its most difficult decisions.

128. Insurgency successfully practised, if perhaps slower in achieving its objectives, has the same end results as military conquest. It is decidedly less expensive to the initiator than direct military action, presents obvious dilemmas to those interested in the victim country who would not wish it to be defeated, and attracts none of the international odium of direct military action. Insurgency can be most successfully practised if the initiating country is contiguous to the victim country and thus has a base for logistic support and a safe haven for retreat and for harbouring the agents of insurgency.

129. Insurgency activity may be associated with direct military action as in Vietnam and to a lesser extent in Laos. Insurgency is active in Cambodia, Thailand, Burma, the Nagalands of India and on the Thai/Malaysian border and in Sarawak.

130. Vietnam apart, Australia's contact to date with insurgency problems has been confined to East and West Malaysia and Thailand. In relation to the roles that possible Australian Forces in Malaysia might in future have, Cabinet has laid it down that Australian participation in counter-insurgency is to be confined only to insurgency which is externally promoted, which is a threat to the security of the region and which is beyond the capacity of the Malaysian and Singaporean forces. Australian Forces are to be specifically excluded from participation in civil police roles. In conjunction with SEATO Allies Australia has declared forces to SEATO contingency plans to counter communist insurgency in Thailand (Plan 8) and in Laos (Plan 5). The latter plan after being in abeyance for some years is now being reviewed in the SEATO Military Planning Office.

131. There are many sources of instability in South-East Asia – the struggle for power in the new nation states, the frustration of the semi-educated, the tensions in traditional societies from economic and social change, ethnic, religious and regional discontents, inexperienced and incompetent governments, the difficulty of establishing interest and loyalty for long-term targets of nation-building, etc. Such factors are reinforced by the pressure of rising population on under-developed, narrow-based and often poorly managed economies.

132. The elimination of conditions favourable to insurgency and the task of dealing with insurgency are largely for the governments themselves. The first calls for political economic and social programmes which, apart from other resources, demand administrative and other skills in short supply. The second is virtually an acknowledgement that either those programmes have not been launched or have not been sufficient in the circumstances. But, even allowing for this, where the local Government can reduce disaffection and provide protection, insurgency is unlikely to be able to develop a sufficient base for significant military operations. Governments can generally survive a considerable degree of instability, since the various factors of disaffection rarely coalesce into a broad political challenge. Even when disaffection leads to insurgency, this can be contained, if not readily eliminated, provided governments take early and adequate political social and economic and military measures to regain loyalties and to protect the population.

133. Among a hostile and terrorised population, or for the dislodgement of insurgents from their remoter bases, the government needs, first a well established intelligence organization and a strong and loyal police force; and greatly superior ground forces, and effective naval and air support for search, suppressive patrolling and guard duty. Since these measures do not themselves deal with the causes of disaffection, and only offer temporary protection from terror, it is relatively easy for insurgent elements to re-establish themselves after control is weakened. The extreme military, and political, difficulty of containing insurgency, if it is once allowed to become established on a significant scale, can drain government resources, sap confidence and lead to wider political instabilities seriously jeopardising the government's authority. Economic disruption, the problem of refugees and similar factors add to the pressures.

134. The many sources of disaffection and tension afford opportunities for the communists to develop pressure against governments by the use of insurgency. Communist organization and indoctrination provide effective discipline and tactics and generally provide the insurgent movement with a more compelling political direction than the original limited sources of disaffection. China and North Vietnam can and do readily infiltrate into nearby countries political and military cadres, arms and other material support, and provide secure bases and training in their own territory.

135. So the problem is to avoid the conditions that sow the seeds of insurgency. And this, even if the Government has the will to do something – which to some degree may be dependent upon the assurance it has of help in the event of external aggression – is generally beyond its resources of treasure and skilled administration. This desperate fact faces Australia in South-East Asia in common with the USA and e.g. Japan. The extent of their response may be the means of avoiding even more dangerous problems and not least involvement in an insurgency situation.

The Insurgent Threat against Laos, Cambodia and Thailand

136. In South Vietnam and Laos, the North Vietnamese have been able to deploy military formations and directly challenge the governments, winning control of large areas in these countries. The Communists are well placed to bring similar pressure against Cambodia. Disaffection and dissidence already exist there, arising from ethnic and rural discontents, particularly among the younger generation.

137. The situation in parts of Thailand is also favourable to the promotion of insurgency and the eventual development in those parts of a major threat of a "war of national liberation", involving large-scale North Vietnamese and Chinese assistance to insurgent military operations. Communist elements are already established in the north and north-east, exploiting ethnic frictions and government neglect. There is direct access to these areas through Pathet Lao held territory in Laos and a Vietnamese minority on the north-east border provides local support inside Thailand. Insurgency in the north-west is less strongly established, but is open to influence and support from communist and other movements in Burma. In the south and the Kra Isthmus communist organization is growing stronger and the Communist Terrorist Organization remains entrenched in the border region.

138. The Thai Government has proved reluctant and unable to take the determined political, social and military action necessary to reduce the causes of these situations and to contain them. There is a prospect of considerable instability developing throughout the thinly populated, backward border areas if adequate steps are not soon taken, although the insurgency situation should be capable of containment unless the present level of external support is substantially increased.

139. The situation in the rich rice plains of Thailand and among the Thai nation itself is more favourable. The basic unity and loyalty of the people, the existence of long established authority, the military advantage of the terrain and the greater resolution to be expected from the government in defence of its vital interests should make it difficult for subversive elements to establish significant control in this area. Nevertheless the consequences of insurgency successes elsewhere in Thailand, coupled with the general inertia of the Thai Government, are not to be discounted.

140. China's and North Vietnam's interest in Thailand is primarily strategic and political: they require either Thailand's cooperation or weakness and the reduction of the United States position there. China's interest in Laos and Cambodia is primarily strategic. Hanoi's present interest in these two territories is mainly shaped by its requirements in the war in South Vietnam. They afford it communications and safe havens and a buffer against United States military pressure. Hanoi has an abiding strategic interest in Laos and Cambodia, similar to, but not identical with China's, and will seek sufficient influence to protect this. The maintenance of insurgent pressure for these purposes coincides with their national interests as well as their ideological programme for the establishment of communist regimes, but it is not considered that this latter factor is likely to be a dominant motive in their policy. So long as North Vietnam cannot attain its strategic objective by diplomatic and political means, it is likely that it will maintain pressure through insurgency.

General

141. History does not suggest that relief from insurgent pressure can be had by turning to neutralist policies in the hope of a stable *modus vivendi*. At most, some time can be bought but what hope might otherwise have been open through external support and the material aid necessary to combat insurgency is necessarily denied.

142. Australia has a direct and critical interest in insurgency.

143. First, indirect aggression by the promotion of instability and insurgency is a matter of concern to every nation-state that depends largely on international stability for its development and security. Second, indirect aggression by insurgency places pressure on the balance of power and could jeopardise Australia's strategic interests. Insurgency successful in one country could directly affect confidence and stability in another, and be the means of progressive, if slow, advance to the next. Third, to protect its interest in the security and stability of the states of South-East Asia, Australia and its Allies could be faced with decisions under SEATO or other arrangements whether to become directly involved in difficult and protracted counter-insurgency operations.

144. In all of this, to be distinguished are insurgency promoted from without and internal communal tensions. Yet the latter may in certain circumstances be promoted from without, though this may be difficult to establish.

145. There is no scope for categorising definitively the situations in which Australia could be involved militarily in Communist promoted insurgency. Each individual case will call for separate and most careful consideration. However, it would seem that if the USA elected to become involved in military assistance in countering insurgency in countries embraced by SEATO, Australia would face difficulties in remaining aloof. On the other hand, Australia would surely pause before becoming involved in any insurgency situations without being assured of USA and/or UK support.

146. Australia's interests therefore are to support efforts and arrangements to maintain confidence in the basic security of the area against external aggression; and to contribute to effective counter-insurgency measures by political support, economic, technical and administrative aid, the encouragement of social and administrative progress and the promotion of a regional approach and if so decided at the time, to take military measures. It is not as though expertise is not available in the measures needed to avoid insurgency and to counter it. Above all, what is needed is the will in the indigenous government to create situations which will ameliorate the conditions favourable to insurgency and to make determined and sustained efforts to deal with it without delay. Help from outside will be successful only if it complements this: it cannot succeed if that will be absent.

147. All of this will require considerable pressure on governments to take action in fields that are not only essentially within their domestic jurisdiction but face them with large political, economic and administrative problems. Finally, every effort should be made to capitalise upon the United States' interest in this whole problem and willingness to support measures in this field. It should be our objective to have the United States make good the effects of any withdrawal of combat forces from the South-East Asian mainland by developing a major effort to promote and support effective counter-insurgency action there.

10. POLITICAL AND ECONOMIC ASPECTS

148. Earlier, attention was directed to the close inter-relationship between defence policy and political and economic policies. It is appropriate to pause here to touch on these latter aspects of our strategic policy.

149. The development of organised intra regional relationships will be an important objective of Australian policy in the South-East Asia region in the next decades. We should seek particularly to achieve such relationships in respect of those countries within the area of our immediate interest, i.e. the Philippines, Malaysia, Singapore, Indonesia and New Zealand, and Thailand, and in due course, Papua and New Guinea. If the circle can be satisfactorily enlarged, so much the better. Progress will probably be slow because of the weakness of most of the countries and their continued preoccupation with internal and bilateral problems. However the capacity of any regional organization to deter aggression will be very limited without the backing of the United States and other outside powers.

150. The United Nations, despite its shortcomings, will also continue to be a significant political force against aggression and for the limitation of conflicts. The possibility that Australia will, from time to time, be requested to provide forces or police for inclusion in United Nations supervisory or peace keeping teams must be taken into account.

151. The basic importance of constructive government and economic growth in the containment of the various sources of instability from which damage to Australia's strategic interests could arise, requires no emphasising. Only by the coordination of our strategic policies across the entire defence, political, economic and aid fields will our initiatives avoid wasted effort and give promise of success in preventing the sources of instability developing to a stage where only large scale military effort can contain them.

152. Experience has shown that the success of a military effort can be constantly eroded if it is not accompanied by achievements in the economic and broad governmental field that give the people a sense of progress, and increasingly extend their participation in the wider tasks of nation building. Failing progress in these directions, the entire basis of the military effort becomes dangerously narrow: weak and insecure governments turn to coercion to maintain their internal position and to diplomatic manoeuvre to try to cope with external pressure. Where the population is indifferent or disaffected, the military task is not only greatly complicated, but the military force is unlikely to be able to cope without massive re-inforcement, leading to further pressures on the population and requests for external support, which could include military support.

153. These factors are also basic to the question of political stability. The strategic policies of Australia and its Allies and their consequent military commitments and arrangements will be weakly based if they depend upon the survival of particular political regimes. This has been one of the major problems confronting western policy in its attempt to contain communist influence and power. Our policies and arrangements must be geared to the possibility of political change. However, this can bring weakness, instability and insecurity where the nature of the popular stake in a country's future does not work to preserve political cohesion but favours division and disruption. Balanced economic growth drawing in wide sections of the community and competent and administration serving government and people are essential conditions for the stable political situation our strategic interests require. Even if radical elements should come to power they could very well, in these circumstances, moderate their policies and act with some restraint. In their own self interest they might pause before demolishing the structure that gives them power and security.

154. Australian political and economic activities are also necessary if we are to encourage and influence similar efforts by other powers. Australia's resources are sufficient for it to make a significant contribution on its own, if carefully applied in a selective and well-considered way. But only the interest and contributions of a wide range of powers, and in particular such large powers as the United States, Japan and Britain, can provide support on the scale necessary, not only in direct aid but in the more important fields of investment and access to markets.

155. The opportunity for increased political initiatives may also occur in the wider field. The possibility of a Vietnam settlement and, in time, the development of more pragmatic elements in China suggest that the future may provide opportunities to develop Australian initiatives aimed at achieving some modus vivendi with China and North Vietnam.

11. THE LIKELIHOOD OF DIRECT AGGRESSION AGAINST AUSTRALIA

156. The assessment made of the threat to Australia, her Territories and lines of communication up to 1977 enables the following conclusions to be reached regarding the likelihood of direct aggression against Australia, her Territories and lines of communication during the period of this study.

General War

157. General war as a deliberate act is unlikely in the period of this study because of the nuclear balance between the USSR and the USA and their basic interest in the stable management of major international tensions, and the limitation of military conflict. This same basic interest extends to the containment of China's growing nuclear capacity and could be the means of preventing China from resorting to nuclear activity that could lead to general war.

158. Further proliferation of nuclear weapons beyond the present five nuclear weapon powers could increase the possibility of nuclear strikes arising from miscalculation or irresponsibility. None the less, efforts by the two major powers effectively to restrain other nuclear weapons states should avoid any enlargement into general war.

159. In the improbable event of general war, it is unlikely that Australia would be a target of a nuclear attack, though the United States communication station at North West Cape would be under threat and might be attacked. Had Australia in the meantime developed a nuclear weapon capacity, this also might be attacked providing the enemy assessed such capability would be used against them.

The Nature of Possible Threats to Australia and the Territories

160. Limited war with China is unlikely. However, even in this unlikely event there would be no threat of direct military attack by China on Australia and its Territories throughout the period of this study, but lines of communication could be threatened in the South China Sea and in the Indian and Pacific Oceans if Australia were involved in a limited war in Asia.

161. Subject to what follows, a direct military attack on continental Australia by Indonesia is equally unlikely. There is a possibility of a future threat in the event of failure to contain tension in our relations in New Guinea or from continued Australian involvement in the defence of Malaysia and Singapore.

162. While there is no current threat of direct attack against TPNG by Indonesia, there is a possibility of future threat against TPNG, either by deliberate Indonesian policy or the action of uncontrolled elements.

163. Threats of the character mentioned in the preceding two paragraphs could emerge in the late medium and long term of the period covered by this study. Whatever occurs will depend upon developments in Indonesia, the extent to which the situation could be effectively contained by political means, upon Indonesian military capacity at the time which will be influenced by support it might have from communist sources and its susceptibility to deterrence by Australia and any other interested powers. However, a threat to continental Australia is less likely than a threat to TPNG.

164. Should TPNG achieve independence during the time period of this study, it is probable that Australia's commitment to meet an external threat would not diminish. In these circumstances tensions could develop between Indonesia and Australia consequent upon the actions of the independent Government of PNG, e.g. as a result of the growth of nationalism on either side of the border.

165. The nature of any threat from Indonesia that might develop in the future can only be assessed in general terms at this stage:

- a. In TPNG it is likely to be confined initially to harassment by small scale activity, such as border patrol clashes, infiltrations of small groups, etc., and possibly beyond the effective control of the central Indonesian Government. Subject to the uncertainties in the long term, it is unlikely that an Indonesian Government would seek deliberately to escalate these operations to confrontation-type operations short of limited war or further to the level of limited war, unless possibly in an effort to divert Australia from engagement in the Malaysia and Singapore theatre. The nature of the threat throughout the period is thus likely to be confined to activities below the level of confrontation.
- b. In respect of Australia itself, any threat is only likely in the context of limited war with Indonesia in New Guinea or Malaysia and Singapore. In the unlikely event of a limited war the nature of the military threat would include:
 - (i) sporadic and limited air attacks on operational air and naval bases, and commercial ports and mining and ore treating installations in TPNG, northern and western Australia and Cocos;
 - (ii) ground activity by armed forces in the border area of TPNG supported by sea and air borne infiltration;
 - (iii) sporadic air and submarine attacks initially on shipping and any off-shore oil installations in waters north and west of Australia, with submarine attacks possibly extending later to similar targets in other Australia[n] waters;
 - (iv) mining of ports and suitable focal areas;
 - (v) attempts at sabotage of the defence installations in TPNG and northern Australia; and
 - (vi) limited attacks on Christmas and Cocos Islands.

166. Not to be discounted is the emergence of situations which would lead to Indonesia denying rights to air and sea passage or restricting supplies of oil, etc.

12. AUSTRALIA'S STRATEGIC INTERESTS

167. The foregoing discussion has identified the following strategic interests as a basis for the consideration of policy:

- a. The development of the USA/USSR détente and of their efforts to stabilise international relations, including measures for the non-proliferation of nuclear weapons and the containment of Chinese nuclear activity.
- b. Continued assurance of the security of Australia's lines of communication and strategic approaches, particularly to the north.
- c. Continuing security and friendly influence in the Pacific territories now under British and French rule.
- d. The continued deterrence of China from overt military aggression, particularly against the states of South-East Asia, and the development by China of a stable relationship with other states.
- e. Continued encouragement of UK interest and participation in the area.
- f. Continued encouragement and support of the United States' position in the Pacific and South-East Asia and its interest in the Indian Ocean and of its efforts to maintain and develop arrangements for the security of the mainland South-East Asian states, particularly Thailand.
- g. Support of United States efforts to protect and consolidate a viable Government in South Vietnam and to discourage any North Vietnamese ambitions for control by force of neighbouring countries.
- h. Support of efforts and arrangements to maintain confidence in the states of South-East Asia against external aggression and the encouragement of them to develop the capacity to defend themselves.
- i. Encouragement of South-East Asian states to take themselves, and by cooperation between them, in all fields necessary, effective measures to alleviate conditions favourable to insurgency and to resist insurgency, contributing as needs be political support, technical, administrative and economic aid, and in the last resort, where circumstances warrant it, military support.
- j. The maintenance of Japan's present orientation within the United States' strategic position in Asia and the cultivation of a constructive and cooperative approach by Japan consonant with our interests, to the security, political and developmental problems of the region.

- k. Avoidance of instability and a power struggle in the Malaysian/Indonesian area, the promotion of political stability and moderation in external policy in Indonesia and of mutual cooperation in defence between Malaysia and Singapore and confidence in their external security and internal stability, and support for the efforts of these countries in these respects.
- l. Avoidance of instability in the Philippines and avoidance of withdrawal of the US from its bases there.
- m. Continued economic progress in Indonesia, the maintenance of moderate, constructive and effective central Government there and the development of stable relations of confidence between Indonesia and its neighbours to the north and west and with Australia.
- n. The protection of TPNG and of Australia's interest there.
- o. The continued development of close relations with the United States in SEATO and particularly in the ANZUS context and the encouragement of their interest in and support for Australian strategic and defence policies.
- p. The closest cooperation in defence matters with New Zealand.

PART III—FUTURE DEFENCE POLICY

1. INTRODUCTION

168. Australian strategy cannot be considered in isolation from the global situation and the strategies of the major world powers. While the nuclear stalemate between the USSR and USA has reduced the likelihood of general war, and the détente between the two countries has in Europe relaxed tensions between the NATO powers and the Soviet Bloc, Africa and the Middle East remain regions of instability for a variety of reasons. Yet, at present, the situation in these regions does not suggest military intervention by, or military conflict between, the major world powers.

169. It is in Asia that the greatest threat to stability exists and it is centred on Communist China. True Australia does not currently face the threat of the direct advance of communist power through a weak and fragmented region that earlier existed. Yet despite the fact that the might of the USA has been directed to the containment of China, pressures exerted by China and its influence are felt in North Korea, Vietnam, the Philippines, Laos, Cambodia, Thailand, Burma and India, and Vietnam continues to be the active focal point of struggle to defeat communist aggression. And, despite their differences, the USSR and Communist China are both actively supporting Communist North Vietnam with equipment, supplies, technicians, etc. Given that the several interests of the USA and USSR are directed to preventing Communist China from overt military aggression, the most likely method by which Communist China will extend her influence, and communism, in South-East Asia will be by a variety of means short of overt identifiable armed aggression, including subversion, terrorism, insurgency, and psychological warfare. However, the possibility of escalation to limited war cannot be ignored. This might occur through miscalculation on either side or some unpredictable incident. It is considered that China will seek to avoid limited war except where her own safety or the survival of a bordering country as a communist nation is threatened.

170. The overview of Sukarno and the establishment of a regime preoccupied with grave internal problems of economic and administrative reconstruction and growth, have stabilised the Indonesian situation and removed to the later medium or long term, uncertainties about Indonesia's external conduct. In the Malaysian region the internal communist challenge has been defeated and the new states of Malaysia and Singapore established with hopeful prospects of consolidation and stable government. Nevertheless communist insurgents still operate on the Thai/Malaysian border and in Sarawak, communal tensions still exist in Malaysia, and there is friction with the Philippines over Sabah.

171. That Communist Chinese aggression has been kept within the limits it has been and that the other favourable developments noted have occurred may be ascribed largely to the USA and to a lesser extent the UK.

2. OUR DEFENCE POLICY

172. None the less our recognition of these changes with their credits and debits, should not be allowed to obscure the abiding nature of basic features of our strategic situation:

- the pressure of China on the balance of power with its particular manifestation in pressures on South-East Asia,
- the fundamental importance of the United States in the containment of this pressure,
- the relative weakness and instability of the States of South-East Asia and their susceptibility to insurgency,
- the uncertainty in the long term, particularly in the light of the United Kingdom withdrawal, about internal Malaysian and Singapore stability and Indonesian conduct,
- the continuing USSR policy of exploiting situations wherever it safely can and its ambitions in the Indian Ocean area,
- the uncertainties in the long term, as to the direction the Japanese policy may take, and
- the geo-strategic situation of Australia which itself confers a certain measure of security upon us.

173. To date, within the framework of our global interests, the key purpose of our defence policy has been to prevent a potential enemy from establishing himself in areas from which a direct threat to Australia could be posed and fundamentally we have seen that enemy to be associated with the spread of communism. This policy has been called the concept of forward defence. We have recognised that this policy calls not merely for military activities but for coordinated action in the political, economic and military fields.

174. Yet we could hardly assert that this forward defence concept represents an independent strategy of our own. Rather has it been a case that we have deliberately, doubtless in our own interests and perhaps inescapably, tied Australia to the strategy of others. We have had such a tradition, first to fit comfortably into British strategy and more recently in that of the US. In this latter case we have placed our trust in ANZUS, we played a major part in establishing SEATO, of which the USA is the dominant partner. Like all small countries we can best ensure our security by participating in regional security arrangements; as a result we find ourselves involved in situations not of our choosing and in the formation of which we have negligible, if any, influence.

175. The harsh reality that confronts us is that the forward defence policy to which we have subscribed and which we argue has been successful to date, cannot continue to be successful unless the USA maintains its present policies in relation to Communist China and Asia and, as well, its forward military posture in the Pacific and in Asia, and that Australia cannot have any long term successful defence policy without ANZUS and, to a lesser extent, the SEATO alliance with the USA.

176. If our assessment is correct that the US cannot but maintain a military position in the Pacific and Asia then if we continue our active participation in these alliances conceivably the residual US military position after the conclusion of the Vietnam War may, as a consequence, not merely be reduced to lesser degree but remain more committed in South-East Asia than might otherwise be the case. But the consequence we have to continue to face is that we may be called upon actively to participate in US initiatives, especially those stemming from SEATO.

177. Despite the fact that there is at least before the later medium term no threat of direct aggression to Australia and its Territories, it is, taking the long term view, quite unrealistic to take the line that we could rely on the ANZUS Treaty for US protection of Australia and its Territories and at the same time adopt the policy of complete military withdrawal from South-East Asia as our current commitments there expire and of rejecting for the future any further military involvement in Asia. And this even if we made clear our preparedness to contribute to Asia's needs by aid and assistance of a non military character.

178. If Australia's best interests are to be served, they do not lie in our taking up any extreme position. The choices surely are not between a continuing military presence in Asia (parenthetically to be noted is that, in fact, this has been the case virtually since the end of World War II) and no such presence under any circumstances. Rather does it seem we should be aiming, subject to the limits that SEATO imposes, to achieve a situation which will allow us the maximum of strategic flexibility, a situation in which we would be able to make our judgements from time to time, against all relevant circumstances, as to the directions, political, economic or military, in which we would be involved.

179. Such a course would carry not the connotation that Australia would necessarily have forces overseas continuously but instead that Australia was prepared to have available forces that could, if needs be, be deployed to South-East Asia when required. It would, however, mean that our forces would have to be organized, equipped and trained so that they would have to the maximum possible extent a dual capability i.e. for effective employment in South-East Asia as well as for the direct defence of Australia and that we would progressively build up the infrastructure in Australia and its Territories necessary to support the operations of our forces wherever they were needed. Such a course should preserve our status and influence in the region in respect of the factors shaping its long term environment and our own future security, should sustain the confidence of our friends in South-East Asia in Australia's concern and support, and not merely sustain our capacity to influence United States policy in the region but preserve its confidence in us as a reliable ally. The credibility of such a course could be amply demonstrated by participation in exercises in South-East Asia such as are already contemplated as a result of the recent Five Power Talks.

180. What is proposed would have the advantage, if contrary to our assessment, the US withdrawal from Asia should be more dramatic, that we would have placed ourselves in a position to devote even greater emphasis to the improvement of the capability of our forces within Australia for the protection of it and its Territories.

The Short Term Concept

181. In the short term as defined by this paper, Australia has little option but to continue the present forward defence posture because we are heavily committed to the war in Vietnam, and also committed to the stationing of forces in Malaysia and Singapore. In addition Australia is committed to the support of the SEATO alliance involving the declaration of forces to SEATO contingency plans for the defence of Thailand against externally inspired insurgency and overt aggression and regular participation in SEATO exercises.

182. While the war in Vietnam continues it is important that the situation there is not undermined in other countries in South-East Asia. SEATO and other allied support restrains further deterioration in Laos and is directed to the security and confidence of Thailand. Support for Malaysia and Singapore is designed to ensure that the situation south of the SEATO countries does not deteriorate. Therefore Australian and allied support for Vietnam and these other countries of South-East Asia are interdependent and mutually supporting.

183. With the end of the war in Vietnam there may be a residual commitment during the withdrawal period and in the readjustment period following a settlement, the support that the other South-East Asian countries receive from their allies will be important.

184. At the initial Five Power Talks Australia accepted that our agreement to contribute to the proposed integrated air defence system for Malaysia and Singapore would carry implications in regard to the post 1971 period. Our options for a continuing naval and army presence were left open. The continued presence of appropriate Australian forces in Malaysia and Singapore until the end of the Vietnam War and during the period of readjustment following a settlement in Vietnam would be consistent with the foregoing argument.

The Concept Post Vietnam

185. What lies beyond the conclusion of the Vietnam War depends on the settlement that emerges and its aftermath. We have assessed a continuing insurgency threat to Laos, Cambodia and Thailand and that the continued existence of an independent Thailand is crucial to the future stability of Malaysia and Singapore. Regardless of the type of Vietnam settlement, unless it is unexpectedly favourable, the other countries in South-East Asia will be anxious about what North Vietnam and China might do next. This uncertainty will probably take time to subside. The US and allied attitudes, US support for Thailand, and Australian support for Malaysia and Singapore could be critical during this period to consolidate the settlement, sustain confidence, and discourage aggressive attitudes by North Vietnam and China. It should be possible during this readjustment period to confine Australia's military deployments to some form of continuing presence in Malaysia and Singapore and perhaps in Vietnam as part of the terms of settlement. Given the most favourable circumstances, this readjustment period could be short, and thereafter Australian military deployments in South-East Asia would become

unnecessary. At that stage, apart from engaging in military exercises, our activity could be confined to political and economic aid directed to preserving and consolidating the position established during the period of our forward defence posture and to strengthening the internal position of the South-East Asian states in the area of our immediate interest. There would remain only the continuing military commitment under SEATO, unless meantime Australia became party to some other regional arrangement involving military obligations.

186. The handling of this change in our present policy would require delicate judgement and care if the confidence we have helped to establish and the continued credibility of our will and capacity to intervene, if necessary, is not to be jeopardised.

187. To handle deftly the transition involved we must even now begin to lay the ground for it. Because of its bearing on our own security, we should leave no doubt with our friends in Asia and the USA that we continue to be no less concerned with what develops in South-East Asia. We should establish that the course we intend to follow is in the best interests, both of South-East Asia and Australia, being designed to achieve the maximum results and at the same time avoiding overstretching our own limited resources. We should have it understood that we perceive our support for the Region to embrace political, economic and administrative objectives and assistance. We should seek to have ourselves recognised as free and willing to take independent initiatives. One of our main objectives should be to encourage the emergence of regional security arrangements embracing at least those of countries within our area of our immediate interest, and enjoying, at least, the support of the USA.

188. The course outlined will contain uncertainties and risks but that would be true of any other. The nature of the problems, together with our comparative inexperience in some of them, and our limited resources will oblige us to proceed with discretion but at the same time what we do should be and be seen to be commensurate with our interests in the Region and should be designed to have the maximum impact. With any success in this direction, not merely will the worth of our role be enlarged, it will be provided with a more secure and stable basis.

189. It is in respect of Malaysia and Singapore that Australia has the immediate opportunity to begin to apply these broader concepts. But this does not mean that there will not be opportunities for similar initiatives elsewhere, particularly in Indonesia and Thailand. Such a process should enlist the sympathetic interest and support of the USA and we should go out of our way to ensure this. The fact that we had established a lively and particular interest in the security and stability of the countries within the area of our immediate interest and were making a positive contribution in support of them and Thailand, would justify Australia's making a more independent and flexible response to any US request for involvement, military or otherwise, elsewhere in the South-East Asian area.

190. There remains for consideration the possibility that the policies advocated above might fail and Australia might be forced to rely on a strategy based on the direct defence of Australia. Such a situation would take time to develop and Australia should have the opportunity of adjusting its policies as necessary.

191. As things stand, in the late medium or longer terms covered by this paper there is the possibility that there could be a change in the attitude of Indonesia and unfavourable developments in the Philippines. Such possibilities might be frustrated if the course advocated above is pursued. Putting this aside, in the case of Indonesia a change in attitude and the consequential threat to Australia could develop more quickly and Australian policy must take this possibility into account. This is one more reason why the capability of the forces we develop from now on should be versatile enough to meet a possible future threat from Indonesia.

3. CONTINUING AND POTENTIAL COMMITMENTS

192. It follows from the foregoing argument that Australia needs to make provision for forces to meet the following purposes, along with the direct defence of Australia and its Territories:

- a. the Vietnam commitment;
- b. existing and possible future commitments to the defence of Malaysia and Singapore under Five Power arrangements;
- c. the support of SEATO under contingency plans and ANZUS or of other similar collective security arrangements that may emerge ranging from counter insurgency up to limited war;
- d. in the medium and longer terms, the support of indigenous forces in Papua/New Guinea to meet Indonesian activities there; and
- e. the possible need to counter insurgency in other areas where USA or UK support may be expected;
- f. contributions to United Nations supervisory or peace keeping forces;
- g. other defence tasks.

Some notes on these follow.

Vietnam

193. It is unlikely that this commitment will increase but its duration is uncertain. Conversely a decrease in this commitment only appears likely in conjunction with a reduction of United States forces. There is the possibility of a residual commitment following a settlement. Subsequent withdrawal of these forces will give added flexibility in the consideration of changes in policy initiatives which will be required in the post Vietnam period.

Malaysia and Singapore

194. At the recent initial Five Power Talks, we accepted that our agreement to contribute to the proposed integrated air defence system for Malaysia and Singapore would carry certain implications in regard to the post 1971 period. Our options as to a continuing naval and army presence were left open. Earlier argument points to the advantages, at this stage of the Vietnam War, of our maintaining in Malaysia/Singapore some military presence for the time being. For how long this

presence should be maintained and what form its character should take while it is maintained, cannot be determined positively now. Circumstances may well develop before or after the end of the Vietnam War which justify the withdrawal or a significant reduction in our presence. They include the growth of stability in the area and in Malaysia and Singapore the extent to which these two countries do cooperate and increase their defence capacity to look after themselves, and the assessment to be made at the time of the effect of withdrawal on the USA and on friends in South-East Asia. The duration of the period of our presence in Malaysia/Singapore after the British withdraw in 1971 is therefore a matter for continuous review. The proposal to reduce the Australian Army contribution to form an ANZAC battalion group which Cabinet earlier considered, should be given effect to when those Australian combat units of the present battalion have to be replaced in April, 1969.

195. All our forces in the area would be at risk in the event of external attack on Malaysia or Singapore. They could also become involved in counter insurgency activity. However, the advantages of an Australian military presence continuing while current circumstances prevail are judged to outweigh the likely risks.

196. While the United States remain committed to the defence of Thailand, an overt military threat to Malaysia from the north is unlikely. To the south, there is uncertainty about Indonesia in the long term but a significant threat would take time to develop and there would be substantial scope for political and economic restraints by interested powers. At least in the short and earlier part of the medium terms, the Indonesians are unlikely to take action at a level that would require the involvement of our forces.

197. Counter insurgency must primarily be a Malaysian responsibility. In the event of a marked upsurge in insurgency on the Thai/Malaysian border, Australia could expect requests for assistance. Our response should be conditioned by our assessment of the circumstances at the time e.g. whether the insurgency was externally promoted; the need; the Australian and other interests at stake, including our interests in sustaining our alliances; the likely effectiveness of any increased support; the extent to which we might become involved by way of reinforcements etc. and the extent of the support we would have from the USA and the UK.

198. It would be necessary, to retain control of Australian policy, to ensure that the limits of Australian commitments in respect of any forces retained in Malaysia/Singapore were fully understood and accepted, so that the Governments of Malaysia and Singapore did not come to rely on larger support than we could afford to provide. This is of particular relevance in the East Malaysian context.

SEATO

199. Australia has made declarations to SEATO plans and continued participation by Australia in SEATO is consistent with our future strategic policy. Any commitment of forces in the SEATO context would be in conjunction with larger United States forces. While SEATO remains it will be necessary to review force declarations and other undertakings periodically. Any decision in relation to deployment to counter insurgency – the most likely area would be Thailand and possibly Laos – would be a major policy issue among the SEATO allies.

Other Possible Collective Arrangements

200. In the event that we achieve effective regional security arrangements, just as is the case with SEATO, forward deployments of our forces would be avoided until the situation required, unless the terms of arrangements we entered into in the future required otherwise. Instead of stationing forces permanently overseas, the Australian contribution could be on the lines of the present SEATO arrangements under which forces are declared to contingency plans but not committed: in short they are held in Australia for deployment as circumstances require. This should mean no diminution of our stature and our influence in security policy.

Territory of Papua and New Guinea

201. Australia's commitment for the defence of Papua and New Guinea is likely to continue even after independence. Initially at least any trouble with Indonesia is likely to be confined to harassment by small scale activities such as border patrol clashes, infiltrations of small groups etc. It will be important to continue the development of self contained indigenous forces so that they can cope with these situations, with the help of necessary Australian support that cannot be locally provided. Because of uncertainties about Indonesian long term attitudes, an Australian military capability is required to provide assistance to indigenous forces if the situation develops beyond their capacity. The whole question of the defence needs of TPNG, embracing all three Services, is already scheduled for review by the Defence Committee next year.

Counter Insurgency outside SEATO

202. Whether and in what circumstances Australia would decide to commit forces to counter insurgency outside SEATO would be for consideration in each individual case.

UN Forces

203. There remains a residual UN commitment in Korea. This would be shared with other countries, not least the USA. There might also be requests for a contribution to other UN operations. Where the requirement is small, such as the provision of military observers, it can be met from the regular or reserve forces. Larger contributions will not be possible while Australian Forces are engaged in Vietnam and probably afterwards, unless the UN operation is in a region of direct concern to Australia and in accordance with Australia's security interests.

Other Defence Tasks

204. In addition to normal defence tasks such as search and rescue, assistance in civil emergency, assistance to other Government Departments, contributions to international headquarters, hydrographic, oceanographic and land surveys, special air transport etc., there are steadily increasing commitments in various forms arising from defence aid programmes. These include training in Australia of foreign students from Defence Departments and Armed Services, defence aid in the form of seconded or loaned personnel and training teams, specific technical assistance in other countries and major combined exercises both in Australia and overseas. In total these tasks represent a considerable commitment for Service manpower and resources for which special provision must be made. It is already evident that the calls on Australia to provide training for foreign Service personnel cannot be met within existing facilities.

205. Not to be overlook[ed] is the fisheries surveillance role which the Navy and RAAF is currently undertaking and for which it seems likely that extra resources may have to be provided.

4. DEVELOPMENT OF DEFENCE CAPABILITY

206. After the early 1950s the Australian defence concept was one of gradual preparation based on a fixed vote in which the defence forces were primarily shaped to provide a contribution to collective security arrangements. In more recent years developments in our strategic situation brought larger defence forces with increased operational effectiveness. Confrontation and the Vietnam conflict further increased the requirement for operational forces and funds. The three Services have increased in size and their general capability has improved, but deficiencies still remain in our strategic and tactical mobility and in our ability to conduct sustained and self-contained operations.

207. Despite the unlikelihood of direct military threat to Australia in the period of this study, we must have capacity to meet the presently unforeseen. Relevant here is the long lead time required to shape the forces generally, and in particular to acquire their major equipments. Similarly, the unlikelihood of a direct military threat does not mean that the development of defence forces is any less necessary or urgent; an essential condition of the success of policies for the deterrence of overt aggression and insurgency is that armed forces are maintained, and are visibly available in the appropriate form.

208. To discharge the purposes described in Section 3 and for the defence of Australia, the following considerations should mould the future size and shape of our forces. To give effect to the defence policy outlined above, our forces should not be too closely tailored to particular requirements, but developed to provide a versatile and flexible defence force capable of rapid deployment over the wide range of situations that may face us in the future.

Versatility

209. The resources that can be devoted to defence without placing unreasonable strains on the economy, necessarily place restrictions on the overall size and shape of the forces that can be supported. As already noted, Australian Forces need to be organized, trained and equipped to meet requirements in South-East Asia and for the direct defence of Australia and its Territories. For the foreseeable future, training and equipment for these two areas will be generally compatible, although the need to meet certain special situations may require more emphasis than others when assessing the future composition of individual Services. These considerations emphasise the need for versatile forces designed to perform a maximum range of roles. While guarding against over-specialisation to deal with a particular type of warfare, it is important that special consideration be given to the counter insurgency role. So there must be a most careful assessment of the type of forces to be developed and of the weapons and equipment requirements. In this connection it will be the role or function to be performed that determines what is needed; it will not be a question of distributing resources among the three Services as such. Here again attention needs to be drawn to the long lead times required for equipment.

Deterrence

210. The most effective defence forces are those which prevent war by deterrence. If potential enemies are to be deterred from attacking Australia, its Territories or other countries with which Australia may have commitments, they must be aware of Australia's strength, military capacity, readiness and resolve to support its policies and defend its interests, leaving aside the likelihood of prompt assistance by our Allies. Within the overall cover which the nuclear balance provides, Australia requires conventional forces which are capable of rapid and sustained response to defeat aggression using conventional forces. To be effective, these must include forces with an offensive capability to act as a deterrent to escalation.

211. From Australia's point of view deterrence is of particular relevance in the case of Indonesia. It is from or through Indonesia that the possibility of hostile action against Australia or its Territories is most likely to arise. Never to be forgotten is the possibility that Indonesia could over a short period increase her military capacity if a major power were prepared to provide military aid as the USSR did in the past. Indonesia's capacity to maintain and operate modern weapons could become substantial in the medium and longer terms. On the other hand, the importance and vulnerability of Indonesia's internal sea and air lines of communication are not to be overlooked.

212. The forces required for these deterrent purposes will depend on continuing long range appraisals of developments. Of particular concern will be the growth of Indonesian military capacity as well as possible changes in Indonesian attitudes.

Independent Capability

213. The strategy predicated above requires forces with the flexibility to provide a response to a wide range of situations. A self-contained force will often be the more effective contribution to collective defence arrangements, and acceptable to our Allies, and is also required for situations where we need to operate independently. Such a capability, which should be employed in accordance with a Joint Service concept of operations, involves a high degree of strategic mobility, a system of logistic support independent of permanent overseas bases, and a capability for sustained operations.

214. Because of its limited manpower resources (paras 231-238), Australia should seek to avoid becoming involved in a situation in which aggression has to be resisted by its forces in an area where an enemy can bring greater manpower resources to bear. This points to the dangers of Australia becoming involved in South-East Asia except in association with and with the support of the USA, and to the need for guarding against over-commitments under our present or any future collective security arrangements.

Defence of Australia and its Territories

215. As already stated, it is from or through Indonesia that the possibility of hostile action against Australia or its Territories is most likely to arise.

216. The likelihood of direct attack on Australia and its Territories has already been stated (paras 156-166). Because of Australia's geographic isolation and the very large sea, air, amphibious and land forces which would be required, direct invasion of mainland Australia would present enormous problems for Indonesia or a potential enemy based there. Not only would such a threat take a long time to develop, but these forces would be vulnerable to sea and air attack over long lines of communication, and if any forces succeeded in gaining a lodgement, they would be vulnerable to counter attack.

217. We must, however, be prepared to deal with sporadic attacks and raids, on the mainland which could be more readily attempted and could take the form of small scale air and submarine attacks and commando raids.

218. The existence of a land frontier with West Irian would not present to invasion of TPNG the same problems as invasion of the mainland, and if ever an enemy were to gain control of TPNG, an increased threat to the security of Australia would arise. The more likely course which a hostile Indonesia would take would be to build up armed forces to pose a variety of threats to TPNG on land, sea and in the air, ranging from infiltration through insurgency and confrontation type operations to, in the last resort, limited war. Defence of TPNG against these types of threats would be the most difficult type of situation which Australia would have to face should Indonesia become hostile in the late medium or long term. The defence of TPNG would require joint operations by all the Services, not only for the defence of the frontier areas but also to attack enemy bases and to interdict enemy lines of communication, while keeping open our own.

219. Of course, in all of this, our deterrent capacity and our capability to attack lines of communication and to destroy any lodgement which might be made, would have considerable bearing on whether attacks on, or an invasion of, Australia and its Territories would be attempted.

220. Australia requires a capacity to deal independently with sporadic attacks and raids and with the situations described in para. 218 above, taking into account our assessment that we could expect assistance under the ANZUS Treaty in the event of a major threat developing or in the event of limited war with Indonesia. We must be able to deal independently with minor situations in which we could not reasonably expect assistance from our Allies and the initial states of a major situation until allied assistance could arrive. It is to be noted that assistance from US naval and air forces is likely to be available more quickly than ground forces.

Compatibility

221. Notwithstanding the emphasis necessary on greater self-reliance, Australian Forces are likely in most circumstances to operate with Allies and should therefore be prepared to make full use of their logistic facilities. This points to the continuing importance of reasonable compatibility of weapons and equipment being maintained and developed with our Allies.

Intelligence and Reconnaissance

222. To ensure the most effective use of its limited defence forces, Australia must develop intelligence arrangements of the highest order to ensure the availability of the best strategic, political and tactical intelligence. The purpose should be to secure the earliest warning of possible changes of attitudes, developments in our area of strategic interest and early warning of enemy intentions and force deployment. For these latter reasons there is also an operational requirement for good reconnaissance and surveillance capability.

223. As well, we must do all we can to sustain the present arrangements which ensure two way exchanges with the US, UK, New Zealand and Canada of intelligence data.

Reserves

224. The need for a speedy response to any situation that may confront us emphasises the need for the provision in peace of war reserves from both our own and allied sources to sustain our forces in operation.

New Zealand

225. Particular importance must always be placed on our military cooperation with New Zealand, and not least on questions bearing on New Zealand Forces being able to operate effectively with Australian Forces. Necessarily New Zealand's military contribution to regional security arrangements will be small and be made only in close association with Australia or its other Allies. New Zealand is also likely to continue dependent on its Allies for most of the logistic support when its forces are deployed outside New Zealand.

226. Both Australia and New Zealand are increasingly recognizing that closer relations in defence are essential. This is reflected in the joint operation of Australian and New Zealand Forces in Vietnam, in SEATO planning, and in Five Power discussions with Malaysia and Singapore.

5. NUCLEAR CAPABILITY

227. It has been assessed in Part II that general war as a deliberate act is improbable in the period of this study, and that, even should general war break out, it is unlikely that Australia would be a target of nuclear attack although this possibility cannot be entirely excluded.

228. Similarly it has been assessed that throughout the period of this study Australia is unlikely to be involved in limited war with China. If it were, it would be as an ally of the United States and no nuclear threat to Australia is foreseen in such a situation. Indonesia is not a nuclear power and it is unlikely that it will acquire a nuclear strike capacity of its own in the period of this study. Limited war with Indonesia is unlikely. No threat of conventional attack on Australia or its Territories is foreseen that might require the use of nuclear weapons for defence. Furthermore, success in the promotion of an effective Non-Proliferation Treaty would be likely to stabilise the nuclear situation, even including the case of China, and reduce the importance of this factor in the strategic requirements of the non-nuclear weapon states. It is therefore in our strategic interest to have an effective Treaty as soon as possible.

229. No present requirement is foreseen for Australia to develop a nuclear weapons capacity. However, should a serious breakdown in the international order appear likely to develop, Australia might wish to reconsider the possibility of a requirement for a nuclear capacity. It is important, therefore, that Australia maintain its freedom to reduce the lead time for the development of such a capacity from the present period of from seven to ten years. It appears likely that this would be possible under the Non-Proliferation Treaty, but satisfaction of this score should be a factor in any consideration of Australia's becoming a party to that Treaty.

6. GENERAL CONSIDERATION

230. A number of factors necessarily condition defence policy and they are briefly adverted to below.

Manpower

231. Population projections indicate that the 15 to 39 year old male group will increase from a current 3.5 million to about 4.3 million in 1976. Projections beyond this date are not presently available. In the expected climate of a buoyant economy and full employment it might be assumed that the same proportion of this group as at present would continue to volunteer for the Services. On this basis, the permanent force strengths from volunteer enlistments could increase over this period from about 65,000 to 78,500, an increase of some 13,500. Currently the Regular Army strength to meet its commitments includes nearly 16,000 National Servicemen.

232. These figures suggest, even allowing for fluctuations which will occur in recruiting and re-engagement rates, that expansion of the strength of the permanent forces as a whole by voluntary enlistment is limited. Moreover even to maintain the present total strength of the Army would be dependent for many years ahead on continuation of National Service. In addition there would be qualitative problems in regard to requirements of skilled trade and professional personnel.

233. Not merely can the present strength of the Army not be maintained without National Service, any major increase in the regular forces could not be achieved without a greater intake under the National Service scheme.

234. The comparatively small manpower resources likely to be available from voluntary recruitment place a limit on the size of the regular forces which can be maintained under our present system. The Army is particularly affected in this regard. Australia is in no unique situation in that it cannot rely on the regular forces to meet all situations: for this reliance is placed on "reserve" forces which in our case are the Citizen Forces.

235. As regards our reserve forces and particularly as regards the Army, there are problems of availability, training, provision of equipment and development of operational readiness which point to the need for a thorough review of the whole reserve requirement and structure.

236. By contrast, our potential enemies have large manpower resources. Moreover, by accepting a lower standard of living for their personnel, they operate with less logistic and administrative support in the field. This manpower imbalance is accentuated in insurgency operations in which, despite superior firepower and complete air and naval superiority, a very large superiority in ground forces is required to contain the situation.

237. Australian deficiencies in the manpower field demand that the best use be made of manpower resources. Present logistic systems absorb large numbers of highly technical personnel. Sophisticated weapons increase combat effectiveness but add to the support required. They are expensive and can only be afforded in relatively small numbers. These factors point to the requirement to continue to improve the ratio between combat and logistic forces, and to the need, to the maximum extent possible, to select weapons which combine effectiveness and simplicity.

238. Moreover, within the versatility required of our forces, and while guarding against over-specialisation to deal with only one of the types of warfare in which we may be involved, there is a clear need to continue to examine and develop the organization, equipment and operational techniques of our Services to ensure that any operations in which we may be involved – of greatest importance should Australia again become involved in countering insurgency – will make the minimum drain on our limited manpower resources.

Defence Supply Aspects

239. Australia now has the capability in its complex of Government factories and private industry to equip and support our defence forces to a considerable degree. With the development of our national resources there are few raw materials not available to local industry. Apart from the needs of national development a strong, efficient and balanced industry is essential to any plans for defence preparedness.

240. Guiding principles have been prepared by the Defence Committee for the procurement of defence equipment. These will ensure that full consideration is given to the feasibility of local purchase or production. Major weapons systems will still need to be purchased from overseas sources as the small numbers required and the complexity of the equipment tend to make the economics of complete local production unattractive. From the operational and logistic viewpoint, there are advantages in the establishment of maintenance, repair and test facilities and of capacity, both in Government factories and in private industry, for production of items of defence equipment which are required for our forces.

241. While Australia has the capacity to be and should lose no opportunity in seeking to become a defence supply source for nations in South-East Asia, these countries will in time establish their own areas of defence production. It will be desirable to keep under review the need for a measure of coordination of defence supply planning between Australia and New Zealand and countries in the South-East Asia area.

Financial Aspects

242. Australian defence capability will always be limited by the nations resources and the extent to which these can be made available for defence. If Australia were under direct and immediate threat of attack, the allocation of resources to defence would have much higher priority. In present circumstances, the allocation for defence preparations and indeed for all activities associated with our security must be assessed against heavy competing demands for national resources.

243. It is common place that already the proportion of our resources that has been directed to defence has been under examination. In recent years the percentage of the Gross National Product (GNP) allocated for defence has been rising. In 1966/67 it was 4.1% (\$950m) of the GNP (\$22,822m) and in 1967/68 the proportion allocated to defence has risen to \$1109.5m which is equivalent to 4.6% of the anticipated GNP of \$24,100m.

244. It would be unrealistic to argue that defence expenditure should be sustained at some fixed ratio of GNP. Yet it is quite obvious that GNP will continue to grow and therefore that there will be a larger sum available for defence in competition with other demands for national resources.

245. The total funds available at any time are, however, not the absolute measure of the scope for a defence policy. A rising trend in defence expenditure can be the response to maintenance costs, pay and the like. It can be offset in real value by the increasing complexity and therefore cost of defence equipment, particularly in the case of more sophisticated weapons systems. Another limiting consideration stems from balance of payments problems. External costs of defence currently represents about 11% of Australia's export earnings and while, on current indications they will fall over the next few years, are likely to continue at a high level as a result of replenishment or replacement and new and additional equipments.

246. In this area of finance, two points may be made. First it is important that the financial procedures for defence programming should be such as to permit maximum flexibility for forward planning by the Services particularly for the provision of long lead items and items involving heavy capital expenditure. Second, the balance of payments situation will require that external defence costs be minimised to avoid undue strain on national finances.