The Evolution of New Zealand Defence Policy

Hon Derek Quigley

New Zealand policies regarding force structure, alliance relationships and administrative arrangements in recent years have been shaped by three main trends that are likely to continue into the future: First, New Zealand's quest for sovereign independence, which however does not mean the rejection of close defence integration and cooperation with Australia. Second, the growing influence of an inter-agency and whole-of-government approach. Third, the establishment of a direct link between policy, priorities and funding in order to enhance the current day utility of the New Zealand Defence Force.

Introduction

The recent changes to New Zealand defence force structure, alliance relationships and administrative arrangements are part of a natural progression that commenced towards the end of the Vietnam War. They reflect three trends that are likely to continue to shape New Zealand’s defence force. One is New Zealand’s quest for sovereign independence, which however does not mean the rejection of close defence integration and cooperation with Australia. The second trend is the growing influence of an inter-agency and whole-of-government approach to security which recognises that defence capabilities are only one element in a broader approach to international security. The third trend – which has only gained traction recently, despite over a decade of recommendations to successive New Zealand governments, has been the establishment of a direct link between defence policy, priorities and funding in the interests of enhancing the current day utility of the New Zealand Defence Force (NZDF).

This paper discusses the key factors that have influenced these trends and concludes that they have left New Zealand well placed to make a constructive and meaningful contribution to security within the region and further afield.

From ANZUS to the Nuclear Ship Dispute

Unlike Australia, New Zealand had mixed feelings about ANZUS from its inception. Some hailed New Zealand’s first treaty with a foreign power as a
mark of the country’s independence. Others saw it as creating a state of
‘dual dependence’ on the United Kingdom and also on the United States.¹

In a carryover from the Vietnam War, the ‘warfare association’ which ANZUS
signified was a major aspect of New Zealand’s growing opposition to
‘matters nuclear’. This was heightened by the French Government’s July
1962 decision to establish new weapons test sites in the South Pacific and
resulted in the 1972-1975 Labour Government, in conjunction with Australia,
sending a frigate to the Mururoa Atoll; taking action in the United Nations;
and initiating proceedings in the International Court of Justice. As a result,
French testing was driven underground.

It was easy to step for New Zealanders from viewing French nuclear tests as
an unwanted intrusion to regarding visits by nuclear-powered or nuclear-
armed ships as similarly intrusive.² However, although this alternative
defence perspective had wide community support, it was more about
establishing an independent national identity than blatant anti-Americanism.

Labour had lost office in 1975, but looked likely to win again in 1984. Its
1983 annual conference consequently attracted considerable media
attention. To avoid public dissention and to present a particular public
image, the party’s foreign affairs spokesman bracketed a number of foreign
policy and defence remits together for discussion at the conference; and in
his speech to delegates, called for New Zealand policy independence and
political integrity:

Our task is therefore to produce foreign policy … which tells the world that
our decisions will be made in Wellington—not Washington, nor London, nor
Canberra. The kind of independence which we will maintain under a Labour
Government will not be negotiable. Neither will our anti-nuclear stance,
which will be an important element of that policy.³

The conference endorsed these sentiments.

Given the background to the development of New Zealand’s alternative
defence and foreign policy perspective; the depth of support for it amongst
the community at large; and the Labour’s widely publicised 1983 conference
decision, no one should have been unduly surprised when the new
Government, headed by David Lange, sought to enact its nuclear-free policy
after the 1984 election.

¹ Ann Trotter, San Francisco Treaty-Making and its Implications for New Zealand, symposium
on San Francisco: 50 Years On, London School of Economics and Political Science, 10 July
2001, referring to correspondence between Frank Corner in Washington and McIntosh, the
head of External Affairs in Wellington.
² Stuart McMillan, Neither Confirm Nor Deny, The nuclear ships dispute between New Zealand
³ New Zealand Labour Party, Report of the Sixty-Seventh Annual Conference, Auckland, 2, 3, 4
The impact of the ANZUS crisis on New Zealand’s Defence Alliances

In early February 1985 the Government declined a request for a port visit by the USS Buchanan, leading the US Administration to impose wide-ranging military sanctions against New Zealand. Australia decided not to follow suit and instead expanded its defence relationship with New Zealand, partly because it valued New Zealand’s contribution to regional security and wanted it to remain as an active and capable supporter. Behind the scenes, however, some Australian officials were critical of the extra cost and effort involved in assisting New Zealand. Because of this, they adopted a hard-line approach towards New Zealand over the ANZAC frigate project which contemplated the construction of eight vessels for the Royal Australian Navy (RAN) and four for the Royal New Zealand Navy (RNZN).

In 1988, senior Australian Cabinet Ministers and officials indicated that they saw New Zealand’s participation in the ANZAC ship project ‘as a litmus test of New Zealand’s commitment to the trans-Tasman defence relationship’. They stated that failure to purchase the frigates would be interpreted as unwillingness on New Zealand’s part to play a credible role as a defence partner in the region and signal that it was in the process of withdrawal from the ‘community of friends’. They also said that non-involvement would be taken as a clear sign that New Zealand was not prepared to recognise that Australia was itself prepared to pay a substantial price in monetary and non-monetary terms to ensure that New Zealand remained a credible defence partner.

The sweetener—provided New Zealand bought an acceptable number of ships—was that Australia would waive the provision in the 1983 Closer Economic Relations (CER) Agreement at the time being used to exclude New Zealand businesses from access to most Australian defence contracts. The waiver would apply to all Australian defence contracts, not just to those associated with the frigate project. Conversely, if New Zealand did not participate on an acceptable scale, the Australian Defence Secretary, Tony Ayres said ‘New Zealand would not even get the contract for the tea urns’.

Ultimately, the Government decided to buy two ANZAC frigates, with an option to acquire a further two later. This policy was modified in 1997 when

---

6 Ibid., pp. 234-235.
7 Comment by the Australian Secretary of Defence at a meeting with the Review Team in Wellington in 1988.
the National Party Government decided to reduce the navy’s frigate fleet from four vessels to three.\(^8\)

**The Strategos Review**

When the Lange Government was elected it inherited a serious economic crisis, prompting it to initiate sweeping reforms that affected most of the New Zealand economy. Public sector management and accountability were early targets for radical change. As part of these reforms the Government commissioned the Strategos review of New Zealand defence resource management.

Initially, the Review’s terms of reference excluded policy, operational and command responsibilities, and force structure. However, when the then Chief of Naval Staff (CNS) refused to provide certain information, the Government amended them ‘to be as wide as necessary to achieve the Review’s objectives’.

**FIVE CRITICAL ASSUMPTIONS**

Some critical assumptions underpinned the Review: First, New Zealand’s defence policy and defence force needed to be appropriate to country’s place in the world. Secondly, a more independent and self-reliant defence policy—which was mandated in the 1987 White Paper—had far-reaching consequences for force structure and defence administration. Thirdly, the White Paper’s policy objectives could only be achieved within available funding if the system was substantially restructured. Fourthly, establishing clear priorities for the use of scarce resources could produce a defence system that met policy objectives and provided more satisfaction for those within the system. Finally, better use of resources would increase defence’s operational effectiveness.

**STATE SECTOR REFORM AND DEFENCE**

These assumptions need to be seen in the context of the following principles that underpinned New Zealand’s state sector reform:

- policy and advisory roles ought to be separate from the administration and operational aspects of each department;

- objectives ought to be stated so that all parties involved in the provision of public goods and services were absolutely clear as to their roles;

- accountability should be maximized;

• there should be competitive neutrality in order to minimize costs and provide the appropriate set of incentives and sanctions to enhance efficiency; and

• managers ought to be allowed to manage.

The reforms altered the way New Zealand departments and public sector agencies had to operate. An important part of the change was to set up a line of agency relationships which were designed to make it easier to assess whether agreed goals had been achieved.9 Early in its review Strategos concluded that the most practical way of reforming New Zealand defence was to apply state sector reform principles to defence needs. In this respect the Strategos Review diverged sharply from, for example, Dibb’s seminal 1986 Review of Australia’s Defence Capabilities.

UNCLEAR DEFENCE POLICY AND POLICY OBJECTIVES

One problem was that the 1987 New Zealand White Paper had developed, without any prioritisation, ten objectives ranging from preserving the security and integrity of New Zealand to being able to contribute to UN peace-keeping. Strategos boiled these down to two: the security of the South Pacific and defence co-operation with Australia. It argued that other objectives mainly flowed from these two partially interlocking themes. As a result, Strategos went further than New Zealand’s 1987 White Paper in arguing that a prime objective of New Zealand’s foreign and defence policy should be to ensure that Australia remains interested in New Zealand and the trans-Tasman security relationship.

In assessing New Zealand defence objectives, capabilities and equipment Strategos started from the premise that the strategic concept and defence policy ought to drive force structure because together they define the kind of contingencies where military force is likely to be used. Certain capabilities would be required to cope with these potential contingencies, and force structure, training and military equipment should be tailored accordingly.

Strategos then identified primary, secondary and supplementary objectives, with primary objectives accorded top priority for resource allocation. This enabled it to specify primary, secondary and supplementary requirements which it then matched to capabilities with attendant implications for force structure and equipment.

FORCE STRUCTURE

Strategos considered light infantry the key to New Zealand’s options for South Pacific deployments and for demonstrating commitment to Australian

security. In order to provide such options without prejudice to New Zealand's wider interests, Strategos recommended development of a set of light infantry and support units that would be put together in a force structure appropriate to whatever situation might arise.

**EQUIPMENT**

This analysis enabled Strategos to prioritize operational requirements, starting with those that were imperative and concluding with those where New Zealand had greater discretion. For example, New Zealand had a compelling requirement for a fully trained and equipped counter-terrorist force able to be deployed at short notice. At the other end of the scale were capabilities for events that were not only unlikely but which were probably also unaffordable given more pressing priorities. These included the interception/ground attack role of the air combat force and structures and equipment required to defeat an invasion of New Zealand.

In between Strategos identified several capabilities requiring closer examination. For example, should investment in an air strike capacity be reduced to release resources for investment in upgraded surveillance - a more credible requirement in New Zealand’s circumstances? Similarly, why was the full Ready Reaction Force inadequately prepared for operations in the South Pacific?

This thinking seriously challenged the prevailing ‘balanced force’ concept in vogue within New Zealand defence. The then administrative arrangements were also inimical to efficient and effective management of New Zealand’s defence.

**THE DEFENCE CENTRAL STRUCTURE**

At the time responsibility for New Zealand defence policy and management was divided; the Defence Headquarters was chronically over-staffed; and the Defence Council (which existed as a stand-alone organisation with both policy advice and higher command authority) sat above the Ministry of Defence. In addition the diarchical relationship between the Secretary of Defence and the Chief of Defence Staff had blurred civilian and military responsibilities. These arrangements precluded a clear answer to the question: Who Manages? These difficulties were also compounded by controls on financial inputs imposed by the Treasury.

As a first step toward comprehensive reform, the Defence Council was abolished. The total remaining defence organisation was then split into separate legal entities consisting of the Ministry of Defence on the one hand, and the NZDF – which comprised all military personnel and their civilian staff - on the other hand. This split resulted in New Zealand becoming ‘the only country on the world with two defence departments, one to reflect and one to
The split however stemmed from the need to marry defence’s special characteristics with the output-based management and delivery systems that had, by the time the Review was completed, become fundamental to the reform of New Zealand’s public sector.

The new defence structure sought, as far as possible within the defence context, to separate policy (which became the prime but not sole responsibility of the Ministry) from military and administrative tasks. The new structure facilitated policy formulation by enabling the clarification of defence objectives and the definition of capabilities on the basis of an agreed strategic concept.

The structure provided for a more effective balance between civilian input/control and the military aspects of defence policy. It enabled the Government to formulate procurement policy with an eye to political and economic constraints as well as military requirements. The revised structure clarified management responsibilities, allowing commercially orientated tasks to be managed according to commercial criteria. Finally, it allowed the identification of managers for specific tasks and clarified lines of accountability.

**ADMINISTRATIVE PROBLEMS**

However, the new structure resulted in numerous operational problems. Most were due to deep-seated opposition by some senior military personnel to the changes being imposed on defence by the Lange Government. As one commentator wrote:

> The [new Secretary of Defence] was disliked intensely because of his desire to put into effect what he saw as the Government’s intentions from the Quigley Review. Those intentions weren’t resting very easily on the Defence Force.  

Opposition ranged from reluctance to hand over information the Ministry needed to perform some of its key functions to virulent objection to the Ministry’s audits of the NZDF. The latter was unfortunately largely due to a misunderstanding of the audit intent, as Gerald Hensley, who became Secretary of Defence in September 1991, noted:

> Output evaluations represented the core of what the Quigley Review originally intended of the audit and assessment function, but the way in which the two organisations were set up made it impossible to achieve [this] for nearly a decade.  

---

Offsetting these difficulties was the resounding success of the decision to assign to the Chief of the Defence Force (CDF) responsibility for the NZDF’s operational budget. This accorded with the philosophy of the Public Finance Act 1989 which specified that accountability should lie with the person delivering the outputs. Now, uniquely, New Zealand’s CDF has both ‘the guns and the gold’.

**The National Party and Defence Reform**

When the National party opposition defeated the incumbent Labour Government at the end of 1990 it chose to continue reforming defence administration. Critical here was the National Government’s appointment of Hensley as Secretary of Defence. This appointment dramatically improved the relationship between the Ministry and the NZDF, particularly when Hensley instituted some changes.

> What we have done [over time] is to informally put the two organisations back together but with one big difference. The accountabilities are spelt out and it is quite clear who is responsible for what. There is no question of any kind of jointness or vagueness.

Hensley established a planning system run jointly by the Ministry and the NZDF. This enabled the two organisations to rebuild their relationship and to establish a process that linked strategy, task, capability and the weapons needed to supply that capability.

**FUNDING CUTS AND THE 1991 DEFENCE ASSESSMENT**

In an attempt to put its stamp on defence, the National government published a Defence Assessment in 1991. It then oversaw a major decline in NZDF capabilities by cutting operational and personnel spending by the equivalent of 19 per cent in real terms between 1990 and 1998.

The 1991 Assessment placed greater emphasis than the 1987 White Paper on New Zealand’s dependence on a stable and secure Asia Pacific region and on its ability to make a credible contribution to deterring, and if required, defeating challenges to regional stability. In an attempt to reconcile New Zealand’s huge spread of geographic interests with a sharply declining defence budget, the Assessment looked progressively outwards from New Zealand.

---


15 Ibid.


The starting point was the capability to deal with low-level threats to New Zealand, its territorial waters and Economic Exclusion Zone (EEZ). The Assessment then moved out to New Zealand's maritime environment, its common interests with Australia and with New Zealand’s South Pacific neighbours. After that, it focused on more distant but no less important interests in South East and North East Asia, the Northern Hemisphere and global peace and security.  

The 1991 Assessment concluded that New Zealand’s defence force structure was reasonably matched to its strategic position and to the range of external interests it was intended to support but that ‘The consistency in planning and funding which is the pre-requisite to efficiency still eludes us’. This led the National Government to explore the possibility of adjusting or eliminating some capabilities, for example air combat.

**A SUBSTANTIAL INCREASE IN OVERSEAS DEPLOYMENTS**

The impact of the defence funding cuts was compounded by the government’s decision early in the 1990s to increase the NZDF’s deployments in an effort to ‘re-earn [New Zealand’s] stripes internationally’. One objective was to dispel community suspicion of the armed forces lingering from the Vietnam War and the anti-nuclear stand-off. Another was to provide the growing number of senior NZDF officers who had never fired a shot in anger with some real-world military experience. Foreign Minister Don McKinnon was also concerned about the possibility, in the post ANZUS environment, of New Zealand being dominated by Australia:

They had all this information, the sustained linkages, the inside track and broad relationship with the United States. We were the little kid across the way who had slammed the door in our own face. No one else had the opportunity that we and Australia had of sitting in such a way with the US. It was totally envied by everyone then, and those two days at the ANZUS meetings would be even more so today. The Australians were not unhappy that we were not going to be at the ANZUS table; and as I have said many times, instead of being a junior partner to the Australian military we become a subservient partner.

This concern was hardly new. But now McKinnon wanted New Zealand’s military professionals who were involved with the Australians to have ‘far more hands-on experience from having been sent everywhere’. This approach subsequently bore fruit when the NZDF performed with distinction in East Timor. However, the deployments also demonstrated the inadequacies of NZDF equipment.

---

19 Ibid., p. 103.
21 Email from McKinnon received 28 July 2004.
22 Ibid.
Bosnia was a very rude shock. We learned quickly, or had it affirmed that the world had changed post the Cold War and that the Army’s kit was time-expired junk. The Army was having to take unacceptable risks with its ill-equipped people. We also learnt that nobody [back home] seemed to want to know.23

THE 1997 WHITE PAPER

By March 1996 the NZDF was in serious financial strife. Advice by the CDF and the Secretary of Defence that the government had to either review funding or cut military capability significantly formed the basis for a subsequent Defence Assessment and the 1997 Defence White Paper.

The 1997 White Paper concluded that the NZDF’s existing structure was still appropriate and reaffirmed prevailing policy settings. In a concession to funding pressure, however, the White Paper also identified which NZDF force structure elements were essential and which were discretionary. The discretionary elements so identified included the number of frigates, the air combat capability, the number and size of the regular force infantry battalions, and the size of the airlift and utility helicopter fleets.

In the event, and in an obvious attempt to maintain a balanced force approach, the Cabinet chose a mix of capabilities with a modest increase in the forward funding base. Two particular decisions were significant. One was to reduce the size of naval combat force from four to three frigates. The other was to confirm the continuing existence of the air combat capability. The Cabinet also noted that the Skyhawks would provide an effective platform for their key roles of support for land forces and anti-ship missions well into the next decade and that they would not need to be replaced until 2007/2011.24

By 1998 it was clear that the defence funding regime was still inadequate. In November 1998 a list of high priority projects that could be afforded was identified. Projects categorised as Priority 1 were deemed ‘fundamental to restoring the capabilities of front line force elements’ and included new armoured vehicles, replacing the combat aircraft and the C130s, and acquiring a third frigate.25

In a demonstration of fiscal unreality, the Cabinet also agreed to ‘maintain the funding envelope set out in the 1997 Defence White Paper’ while replacing the Skyhawks with 28 F-16 aircraft from the US.26 These decisions demonstrated to the non-government parties in Parliament that the Government remained unwilling or unable to develop either ‘investment proposals that matched fiscal realities’ or a defence policy framework that

23 Email from a former senior Army Officer, 27 July 2004.
25 Ibid., pp. 6 & 7.
26 Ibid., p. 7.
‘would be supportable by successive governments over the longer term’. This prompted a far more assertive stance towards defence by some MPs.27

**The Defence Beyond 2000 Reports**28


The Select Committee regarded NZDF combat capabilities as just one way of securing the external environment. It therefore advocated incorporating defence into broader strategic planning so as to promote the country’s overall interests. This broader approach aimed to achieve a secure New Zealand; a stable South Pacific region; a strong relationship with Australia; a role in the South East and North East Asian region; and a global approach to collective security and to the international community.30

Within this framework, the majority of the Committee, while not excluding the possibility of New Zealand engaging in armed conflict in the region (as opposed to peacekeeping or peacemaking), considered that the country was ill-placed to take sides in any major conflicts in Asia. Most thought that ‘New Zealand’s engagement in the security of South East and North East Asia should concentrate on participation in regional security dialogue and preventive diplomacy’.31

What the Committee was unanimous about was the urgent need to upgrade the Army; and recommended that deployable land force elements, and the other capabilities needed to support and sustain them, should be the top development priority.32 The Committee noted in its Interim Report that the NZDF’s resources were spread too thinly and needed to be concentrated on

---

27 *In an article in the October 1999 issue of the New Zealand Defence Quarterly, political journalist and analyst Colin James wrote that normally a [New Zealand] foreign affairs committee can be safely discounted as amusing, perhaps even interesting, but irrelevant. Few voters care about foreign affairs issues, James wrote. ‘But in the past few years “peace” has pushed foreign affairs into the living room with disquieting television images of mayhem and oppression. . . By the time the cabinet woke up to the tack Quigley was taking, his committee was far outside the bounds of polite political debate. All sorts of people not normally listened to in the development of defence policy made submissions. . . Suddenly amateurs are in where the professionals don’t want them – the ranking of defence expenditure and priorities. Not literally, of course. By proxy through the likes of the Quigley committee’.*


31 *Ibid, p. 27.*

a different range of affordable and sustainable military capabilities comprising, in order of priority, land forces; fixed wing, rotary wing and maritime transport forces; maritime patrol forces (Naval and Air Force); and air strike.\textsuperscript{33} The Committee unanimously recommended that New Zealand’s Skyhawk based air strike capability be either disbanded on financial grounds, or replaced by more modern aircraft ‘on the basis of their capacity to contribute to the advancement of the country’s national interest considered alongside competing [defence] expenditure priorities’.\textsuperscript{34} The Committee’s recommendations were however overtaken by the Government’s announcement that the existing air combat fleet would be replaced with F-16s without, the Government claimed, displacing other important acquisitions. There the matter rested pending the 1999 election.

**The East Timor Deployment\textsuperscript{35}**

In October 1999, just before the New Zealand parliament rose prior to the general election campaign, New Zealand committed troops to a UN authorised international force in East Timor (INTERFET) lead and managed by Australia. This turned out to be New Zealand’s largest military operation since the Korean War.

In contributing troops to INTERFET, the Government sought to ‘make a valuable contribution to a successful coalition, both politically and militarily’\textsuperscript{36} with the judgment that ‘conducting independent operations in a discrete area would best serve New Zealand’s national objectives.’ Consequently, the NZDF was primarily responsible for the provision of security, as a distinct and identifiable New Zealand force, in the Suai district.

The quality of New Zealand’s contribution surprised the Australians who were fulsome in their praise of the NZDF’s performance.

> the high quality of New Zealand’s forces is beyond question. They made an outstanding contribution to INTERFET, and Australia is grateful for the speed and generosity with which they were committed and supported. … we know that the men and women of the NZDF will continue to constitute a highly professional force. New Zealand will remain a very valued defence partner for Australia.\textsuperscript{37}

These comments were in stark contrast with those expressed during the 1990s on the NZDF’s deployments generally and the New Zealand government’s decision to hand back the leadership of the Bougainville Truce Monitoring Group to Australia. Although they acknowledged that New


\textsuperscript{34} Ibid, p. 57.


\textsuperscript{36} Ibid, p. 24.

\textsuperscript{37} *Defence 2000 Our Future Defence Force*, Commonwealth of Australia, 2000, p. 42
Zealand had made substantial progress in bringing about peace in Bougainville, Australian commentators and analysts were generally critical of the NZDF’s wide-ranging international deployments. They regarded them, on top of the Lange government’s anti-nuclear policy, National’s adoption of it, and the substantial cuts to defence spending, as evidence of New Zealand’s lack of interest in security matters. This attitude was being compounded—as the Australians saw it—by a waste of resources on ‘irrelevant’ commitments in places like Bosnia-Herzegovina.

The cumulative effect of New Zealand’s defence decisions over the period prior to East Timor was that senior Australian politicians and officials had concluded that New Zealand ‘was not a partner with relevant capabilities and not a partner to be trusted’.38

What these Australians had underestimated was the extent of the NZDF’s ingrained professionalism; the benefits from its extensive international deployments; and by the time of the East Timor campaign that it was a more efficient and effective organisation as a result of a period of substantial reforms. According to an independent assessment:

> the management reforms of the past decade have produced a Defence Force that is financially more effective and better able to define and pursue its core business. It is also clear that by using the financial management tools offered by the reforms, the NZDF was able to absorb probably the biggest funding cuts to any government department … while maintaining its military capabilities. … the contemporary NZDF delivers nearly the same quantity and quality of outputs as it did ten years ago, but at about two-thirds of the cost in dollar terms to the New Zealand taxpayer and with two-thirds of the staff.39

However, the decision to ultimately abandon the NZDF’s air strike capability illustrates what this entailed.

**The F-16 Review**40

Helen Clark led the New Zealand Labour Party to victory in the 1999 election with a platform that included a review of the F-16 contract. When this was initiated, a recommendation to cancel the contract was expected, provided the ‘cost of cancellation’ (including non-financial considerations) was not too high.41 To this end, one aspect of the review was to assess what cancellation meant for the retention of a broader air strike capability. Key

40 Quigley, *Review of the lease of the F-16 aircraft for the Royal New Zealand Air Force*.
41 Discussion between Review Chair and the Prime Minister Elect at her Auckland residence on 5 December 1999.
Ministers subsequently rejected advice that cancellation was tantamount to disbanding the air strike capability.

The F-16 report of 6 March 2000 recommended first, that the Government ask the US to renegotiate the contract for fewer aircraft. The Americans were known to be receptive to this, and the review was keen to continue to improve New Zealand’s relations with the United States. The second recommendation was that all defence projects be reviewed as a matter of urgency on a project by project basis with a view to reprioritising and funding them on the basis of their capacity—judged from an NZDF-wide perspective—to advance New Zealand’s national interests.42

In so recommending the Report pointed out that, although the F-16 contract created immediate cash-flow difficulties and impacted on funds otherwise available for other defence projects, it was symptomatic of a much deeper problem: that the NZDF had—for some time—been attempting to maintain a range of capabilities in terms of the so-called ‘balanced force’ approach, with neither sufficient money nor appropriate policy direction to ensure that it was properly focused on or funded for its key national security tasks.

The Government accepted the reprioritisation recommendation, but rejected the recommendation to renegotiate the F-16 contract, and cancelled it for political and financial reasons. It then set about implementing its plans to restructure defence. The result was substantial change, including the eventual disbandonment of the air combat capability.

**The Clark Government’s Defence Reforms**

The starting point for the new Labour government’s defence reforms was the Foreign Affairs, Defence and Trade Select Committee DB2000 Report43 and answers to the following fundamental questions:

- For what purpose did New Zealand have a defence force?
- What did the government want it to do?
- Where is it likely to be deployed?
- Who is it expect it to work with?
- How should the government go about funding defence and prioritising spending?

43 Cabinet Paper CAB (00)314, 9 June 2000.
In June 2000 the Government released a *Defence Policy Framework Statement* (the Framework) which stated, amongst other things, that the Government’s core requirement was for well-equipped, combat trained land forces, supported by the Navy and Airforce. The Framework envisaged defence and foreign policy as a partnership aimed at securing New Zealand’s physical, economic, social and cultural well-being, and meeting its regional and global responsibilities. To this end Defence was to work actively with other government agencies including Foreign Affairs, Police, Customs, Fisheries, Immigration, and Intelligence.

**LINKING POLICY, PRIORITIES AND FUNDING**

To help focus the reshaping of the NZDF, the Government provided an indicative range of funding for the next ten years and guidance on the NZDF’s likely roles and how it would fulfill them. The likely roles were derived from the following propositions:

- In the absence of a direct threat to New Zealand’s security, contributions to collective security will remain the primary role for the NZDF and a principal point of reference for force development;

- New Zealand is likely to participate where there is a peacekeeping role rather than a requirement to impose peace;

- The full range of possible deployments requires the NZDF to be trained and equipped for combat so that it can undertake the full spectrum of peace support operations;

- Land force and associated naval and air capabilities, including maritime surveillance, are likely to form the core of a New Zealand response in most plausible regional scenarios;

- Although the commitment of forces to a combat role in Asia cannot be ruled out, it is not easy to envisage a situation where the New Zealand government would do so, and certainly not on its own.44

In terms of likely deployment, the conclusion was that the NZDF would probably do so as part of a multinational grouping, and that smaller countries like New Zealand would not be expected to have a full spectrum of capabilities. What would be expected, was that any contribution would be relevant, well trained and equipped, self-sufficient at the tactical level, and thus able to play a useful part. The conclusion was that it would not be in anyone’s interest for New Zealand to have a breadth of capabilities that

could not be maintained at the operational standard required to meet future needs.\textsuperscript{45}

A scenario based strategic planning methodology—which is still employed—was used to establish a direct link between policy goals, priorities, and the level of resources to be allocated to defence. Some 50 potential security events were identified which could impact on the Government’s defence policy objectives. Scenarios were used to describe the way each event might unfold, so that a set of appropriate responses and capabilities could be evaluated. In keeping with the Government’s comprehensive approach to security, both military and non-military responses were shown.\textsuperscript{46}

By late 2000, officials had produced three force structure options designed to mesh defence policy objectives with fiscal priorities. All provided for significant investment in the Army and in the Airforce’s airlift capacity with some investment in sealift capability. The key difference was mainly in the level of investment in air and naval combat.

The air combat force was at risk in all three options. There were three basic reasons for this. First, when the Government’s defence policy objectives and fiscal priorities were considered, the air combat capability was lower on the list of priorities than other capabilities. Secondly, given other social priorities, there was little likelihood of much extra money for defence either in the short or medium term. Thirdly, defence was projected to need additional funding from the Government in addition to that required for reprioritisation.

The upshot was the Prime Minister’s announcement on 8 May 2001 of a plan to restructure the defence force with the following key components:

- a joint force approach to structure and operations with the objective of improving co-ordination between the three Services;
- a modernised Army based on two light infantry battalions;
- a Naval fleet with (eventually) two ANZAC frigates, a multi-role vessel with long distance and Southern Ocean capabilities, and new inshore and offshore patrol craft;
- a refocused Air Force with no air combat force arm; and
- a sustainable funding plan.

\textsuperscript{45} Ibid.
\textsuperscript{46} The Defence Review Process, Cabinet External Relations and Defence Committee, POL (00) 180, 2 November 2000, p. 3.
The next step was to identify capital spending priorities for the defence force as a whole, in terms of New Zealand’s strategic objectives; and to guarantee funding for those priorities – a major challenge.47

A key part of the prioritisation process was the release of a Defence Long Term Development Plan (LTDP) in June 2002. The LTDP is a planning tool. It describes the major acquisition projects required over the next 10 years to match military capabilities with the government’s defence policy objectives. It also reflects the relative priorities of the projects, measured against defence policy, security needs and interests, and financial limits; and sets out planning and decision-making processes designed to ensure that investments in defence provide best value for money.

The process begins with a ‘gap analysis’ which identifies where, over the next ten years, a capability gap could impact on the NZDF’s ability to meet the roles and tasks assigned by the government. Projects to fill the gaps fall into three broad categories: those that are critical to avoiding failure to achieve policy objectives; those that are necessary to avoid significant policy risks; and those that carry a lower level of risk affecting the degree to which policy objectives are met and the manner in which they are fulfilled. Projects necessary to provide a well-equipped land force are in a separate category.

A Capability Management Framework defines governance arrangements and procedures by which the NZDF and the Ministry of Defence manage capability development and implementation. It ensures that the projects within the LTDP are defined, costed and presented to Ministers in a timely manner; and allows for the allocation of appropriate resources to those projects that have a higher priority within the LTDP. Project Protector and the Orion Upgrade Project illustrate this process.

**PROJECT PROTECTOR**

Project Protector provides for the acquisition of seven steel hulled ships at an approved project budget of NZ$500 million. The ships comprise one 130 meter multi-role vessel (MRV), two 85 meter offshore patrol craft and four 55 meter inshore patrol vessels with ocean-going capacity. All will be operated by the Navy to conduct tasks for and with Customs, Conservation, Agriculture and Forestry, Foreign Affairs and Trade, Fisheries, the Maritime Safety Authority and New Zealand Police.

The MRV is to provide tactical sealift for the NZDF. The analysis in the LTDP contains a project description; the vessel’s policy value; where it fits in terms of its ‘capability gap’ assessment; its linkage to other projects and

---

47 Towards the end of the F-16 review, two senior defence officers were checking the draft report to correct any errors of fact. When they came to the recommendation urging the prioritization of defence spending, one commented that this was a great idea in theory, but no defence force around the world had been able to do it yet ‘as it was too hard’. Author’s personal notes, March 2000.
Security Challenges

- 58 - Volume 2 Number 3 (October 2006)

capabilities, in this case, Light Armoured Vehicles, Light Operational Vehicles, Patrol Vessels, the NZDF’s Helicopter Capability and the P-3 Orion Systems Upgrade); and timing, current status and cost, which is capped at US$100 million.

The MRV can accommodate 250 troops, operate two naval helicopters and has the ability to transfer cargo and personnel ashore when port facilities are not available. It can also be used for disaster relief in the South Pacific.

The inshore vessels will operate around the New Zealand coast throughout the year. The offshore ships, which are also capable of operating naval helicopters, will conduct maritime operations throughout New Zealand’s EEZ and the Southern Ocean, and will also be used to assist Pacific Island states to patrol their EEZs.

THE P-3K ORION UPGRADE
The 1997 Defence White Paper contained a proposal to upgrade the Orions called Project Sirius.48 After rejecting an initial proposal the Cabinet commissioned work on four options ranging from disposing of the fleet to restoring the existing military capability as envisaged in Project Sirius. Cabinet was advised that the fleet was the central component of New Zealand’s maritime patrol force and that it contributed to all five of the government’s policy objectives.49 The issue was therefore the extent of the upgrade.

In a departure from previous New Zealand defence procurement practice, non-defence agencies made crucial input on the nature and scale of the Orion upgrade. Immigration wanted to be able to focus on people in groups on the ground; Customs on ship movements and coastline activities; the Police on vehicles during the day and the night; the NZDF—following the experience of its Orion missions in Afghanistan and Iraq—required a surveillance capability for overland operations.

The result will be an upgrade to LINK 16 and a capability substantially better than the NZDF could have justified on its own. The one exclusion is a submarine detection capability (which seems odd given the alleged operation of some 200 submarines in the region).

Conclusion
This article has demonstrated that there have been three dominant themes running through New Zealand’s approach to defence and foreign policy. The first involves the determination of the New Zealand electorate to ensure that successive governments maintain the country’s sovereign right to establish

49 A detailed account of all the issues that were considered is contained in the Cabinet Policy Committee Paper of 9 August 2000 incorporated in Cabinet Paper CAB (00) 93.
and sustain an independent policy stance. The fact that the Lange Government’s 1987 anti-nuclear legislation has now survived seven general elections unchanged, despite substantial pressure from the United States in particular, is proof of this. The second theme has more recent currency and is evidenced by the growing influence of an inter-agency and whole-of-government approach to security. The third theme, which is based on the need to establish a direct link between defence policy, priorities and funding - in the interests of enhancing the current day utility of the NZDF - has had an even longer gestation, but has only been seriously adopted since the 1999 election, despite urging since as far back as 1988.

Since 1999, the Clark Government has proceeded on the basis that security is more than defence and that the combat capabilities of the NZDF are therefore just one way of securing New Zealand’s external environment. This has resulted in resources being better balanced amongst the various aspects of the conduct of foreign relations; more emphasis on their interdependencies; and in terms of a strategic approach, a sharper focus on the management of whole-of-government priorities. This has meant that New Zealand defence is now incorporated into broader strategic planning which sees its roles as promoting New Zealand’s overall security; enhancing the country’s reputation as a successful, open and independent sovereign state; and playing a constructive part in and with the international community.

This however is not the end of the matter. New Zealand Government’s strong focus on structuring the NZDF for credible contingencies in the current and foreseeable security environment, and its concentration of available resources in areas where they are deemed to provide the highest current-day utility, are major departures from conventional defence wisdom with sees a country’s defence force as an insurance against unforeseen circumstances. The New Zealand approach therefore requires answers to two questions. First, what is the current and foreseeable security environment? And secondly, how appropriate will New Zealand’s approach be in dealing with it, particularly in the regional context?

General Sir Rupert Smith provided part of the answer to the first question in his 2005 book, *The Utility of Force*\(^{50}\) when he wrote that the traditional type of state versus state industrial war has been replaced by a new paradigm characterised by conflicts, in their many permutations, based on wars ‘amongst the people’. Smith’s thesis is that a different approach and reorganized institutions are required to triumph over the confrontations and conflicts likely to be faced.\(^{51}\)


To get a feel for the types of ‘confrontations and conflicts’ Australia, and by association, New Zealand, might face, two questions were put in May 2006 to members of the Australia National University’s Strategic and Defence Studies Centre (SDSC): What in your view are the key security events (with security widely defined) likely to impact on Australia over the next 10 to 15 years, in order of probability? And secondly, What main government agencies do you think are likely to be involved in each security event? The answers \[52\] ranged from Australian/Indonesian relations, with West Papua mentioned several times, to territorial and/or resource disputes; with the ADF—in most cases—only performing a supporting role.

The answer to the question How appropriate are New Zealand’s policies? can be approached by considering what is likely to satisfy Australia. One approach is to ask what the NZDF would be able to do if New Zealand were to spend as much of its GDP on defence as Australia does. Up until recently the official Australian line was that the NZDF should complement the ADF’s capabilities with conventional naval and air assets. Now however, there is a growing appreciation that New Zealand is still serious about defence and that the Clark Government’s decisions make sense in the current security environment. Hugh White put the GDP question in context in an article in the *Sydney Morning Herald* on 5 May 2005 when he wrote that:

\[
\text{[New Zealand's]} \text{ smaller economy simply could not sustain a modern, operationally meaningful front-line combat air force. Nor could it afford an operationally independent fleet of modern warships. So it has made perfect sense to concentrate on the key niches in which it can make the best contribution.}^{53}
\]

Another approach is to look at what New Zealand could contribute in the case of a regional contingency or to the defence of mainland Australia in a conventional war. In both situations, New Zealand has well trained and equipped, mobile, and quickly available light infantry sustainable to battalion level, with 105 new Light Armoured Vehicles and 321 Light Operational Vehicles. New Zealand could also offer a highly experienced SAS unit; two ANZAC frigates which could operate independently or with the RAN to provide protection for a larger battle group; a supply ship; and it share of a combined ANZAC hospital unit like the one which served in Aceh after the 2005 Boxing Day tsunami. It could offer upgraded P3 Orion maritime

---

52 The answers in descending order of likelihood, but not necessarily seriousness, were: Australian/Indonesian relations, with West Papua mentioned several times; Major terrorists attacks; Rehabilitation assistance in the South Pacific; A major pandemic; Problems arising from US/China relations; Managing the proliferation of weapons of mass destruction; Economic and migration pressures caused by a global recession; Major natural disasters; PNG; Environmental issues, including climate change, etc.; Negative reactions to the impact of US foreign policy; Ethnic and/or religious conflict in Australia; Territorial and/or resource disputes; Japanese politics; US/Russian relations; North Korean missile testing; and financial pressure on the ADF budget.

53 Hugh White, ‘Smart approach stretches the defence dollar,’ *Sydney Morning Herald*, 5 May 2005.
surveillance aircraft and two Boeing 757 freight/passenger configured planes. It could deploy its newly ordered NH90 Eurocopters when these have been delivered (each with the capacity to carry a dozen troops), and upgraded C130s. And by 2007 New Zealand could also provide the seven new ships it has contracted to acquire.

The reality this is that although Australia and New Zealand have followed different defence paths, particularly since the ANZUS crisis, they have each produced defence forces that are not only complementary, but also fill gaps in each other’s capabilities. By avoiding a mirror image approach to developing their forces, they have produced significant regional capabilities that have demonstrated that they are able to respond successfully to a wide range of contingencies.

Derek Quigley is a visiting fellow with the Strategic and Defence Studies Centre at the Australian National University. He is a former New Zealand Cabinet Minister, co-founded the ACT New Zealand Political Party with Sir Roger Douglas in the mid 1990s and was Chair of the Foreign Affairs, Defence and Trade Select Committee during the 1997-1999 Parliament. His Committee produced the Defence Beyond 2000 Report which became the blue-print for the Clark Government’s subsequent changes to New Zealand defence policy. Mr Quigley chaired the Strategos Resource Management Review of New Zealand Defence 1988, and in 2000 reviewed the contract to purchase F-16 fighter aircraft from the United States Government. He was also involved in major reviews of Telecommunications, the Treasury, the Ministry of Justice, New Zealand Police and the Fire Service. Mr Quigley was awarded the Queen’s Service Order in 2004 for Public Service. quig_mca@hotmail.com.