

F16: INTERNATIONAL IMPLICATIONS OF CANCELLATION

Background

The newly elected centre-left Labour-Alliance government is reviewing the F16 lease to buy arrangement in which New Zealand has agreed to acquire 28 F16 aircraft from the United States. The review is led by the recently retired MP the Hon Derek Quigley, the architect of a defence policy that the new government has advocated.

The F16 review team will report to government in early March. Cabinet is expected to make a decision on the future of the F16 acquisition soon after. Mr Quigley has been asked by Cabinet to determine whether the F16s are affordable, if New Zealand can legally withdraw from the deal, and if so to assess the likely financial, military and diplomatic cost. Mr Quigley chairs a committee that includes the Chief Executive Officers of the Department of Prime Minister and Cabinet, Ministry of Defence, New Zealand Defence Force, Ministry of Foreign Affairs and Trade and The Treasury. The Review team has commissioned research from a variety of sources. Responsibility for the drafting of any report and recommendations rests with Mr Quigley.

Research Note

This review of possible Australian, United States and Southeast Asian reaction, should New Zealand cancel the F16 acquisition, is based on over thirty telephone and face-

to-face interviews with influential Australian, American and Southeast Asian sources. It does not anticipate the views of Australian or United States commentators.

Cancellation Of F16s Offset By Commitment To A New Capability

Australia would be sympathetic to New Zealand withdrawing from the F16 deal if Wellington commits to acquire a new and relevant capability (with the NZ\$650 million not spent on F16s) that is not already included in the defence 10-year capital plan or 20-year capital estimate. If New Zealand does not say specifically how the NZ\$650 million will be spent, cancellation of the F16s will be viewed as a cut in Wellington's commitment to defence spending. The United States would be angered by the cancellation of the F16s regardless of any commitment to new priorities.

Cancellation Of F16s Accompanied By Promises To Acquire Capabilities Already On Order

Cancellation of the F16s coupled with an announcement to acquire capabilities that are already included in the defence capital plan such as new or refurbished Hercules C130 transport aircraft, and new army equipment, would dismay both Australia and the United States. If New Zealand also abolished existing combat air

capability Australian and United States reaction would sharpen and solidify.

Australian Reaction

New Zealand's decision to acquire F16s was part of broader consultation with Australia dealing with shared strategic and defence planning. Australia's defence is based on the maritime and air combat forces designed to defend the sea-air gap to its North. From an Australian perspective the F16s are an important force multiplier for the Australian Defence Force.

The acquisition of New Zealand F16s lessens Australia's burden of defending the air-sea gap to its North. Politically the F16s signal New Zealand's willingness to remain engaged in regional security and commitment to the defence of Australia.

These considerations are important to Canberra that has just shouldered the risk of standing up to Indonesia on East Timor. Australia is committing extra funding to cover the cost of intervention in East Timor. In the medium term, Australia faces the massive cost of replacing ageing air combat, transport aircraft and destroyers.

If Australia interprets New Zealand's motives for withdrawal from the F16 deal as a cost saving measure in disguise, then Australian reaction will be similar to that expressed during the

ANZUS split except that Australia will maintain its own counsel and will not acknowledge a direct link between this issue and other facets of the broader relationship.

Australia regards defence as inseparable from the broader political-economic relationship. (New Zealand is one of Australia's most important investment partners and a close ally in international organisations). If New Zealand is reluctant to credibly commit to Australia's defence, Canberra may be inclined to take less interest in matters of special importance to New Zealand.

Australian reaction to a withdrawal from the F16 agreement will be sophisticated and bipartisan. Official comment is unlikely to deviate far from the stock phrase that New Zealand is responsible for its own affairs. In the event of the cancellation of the F16s, without commitment to a new capability, Australia will treat New Zealand with exact correctness.

The incentive for Australian politicians to bear the domestic risk of fighting for New Zealand's interests on issues like social welfare (New Zealand funds only a small share of the Australian social welfare benefits provided to New Zealanders living in Australia) and migration (where anti-New Zealand resentment could stimulate domestic political calls for a further tightening of access for New Zealanders wanting to live and work in Australia) will diminish. Impulses to reverse economic and trade agreements that disadvantage Australia are constants in its political culture. The political cost of standing up for New Zealand will increase for Australian politicians.

Australia officials and decision makers generally concur that the New Zealand Defence Force should not be penalised for a decision not of its making. However, a New Zealand withdrawal from a promise to contribute a capability that Australia genuinely wants will see increasing numbers of Australian decision makers question New Zealand's relevance. Australia will ask whether it is worth its while to keep factoring New Zealand into calculations on the future of the defence of Australia and the region. One question that will be asked is whether Australia can afford to set aside scarce defence resources to fund exercises while New Zealand (from an Australian perception) free loads. If Australia withdraws this funding the capacity of the New Zealand Defence Force will suffer significantly and its ability to undertake peacekeeping missions will be reduced.

United States Reaction

United States reaction to cancellation of the New Zealand acquisition to buy F16s is likely to be formal and muted in public.

The United States will view New Zealand as a state that does not honour its contractual obligations. For this reason cancellation may have implications for New Zealand's ability to source other American made military equipment.

The F16 is a litmus test of New Zealand's credibility. A legacy of the 1980s ANZUS split was New Zealand's reputation for unreliability in Washington from the mid 1980s to the early 1990s. New Zealand's contributions to the Gulf War, Bosnia, the Multinational Interception Force in the Persian Gulf, Haiti, Bougainville and East

Timor, the acquisition of ANZAC frigates, the rebuilding of the army and the F16 deal re-established Wellington's reputation for reliability (except with the United States Navy). A New Zealand willingness to reverse the defence modernisation process by cancelling the F16 agreement will be seen as evidence of New Zealand swaying towards a rhetorical commitment to peacemaking and regional security.

Cancellation will create a credibility gap between promises and performance. New Zealand foreign policy statements (as well as its contracts, treaties and agreements covering all matter of trade and other interests) may no longer be taken at face value. This will introduce a high degree of caution in United States dealings with New Zealand across the spectrum of the bilateral relationship.

Southeast Asia

Southeast Asian states attach importance to their allies maritime and air capabilities. New Zealand's commitment to the Five Power Defence Arrangement (FPDA) with Australia, Britain, Malaysia and Singapore is one cornerstone of its commitment to regional security (the others are the Closer Defence Relationship (CDR) with Australia and Regional peacekeeping. FPDA is based on sea and air defence. Cancellation of the F16 deal will signal New Zealand's reluctance to support either the FPDA or a commitment to the Integrated Air Defence System (IADS) based in Malaysia.

Concluding Observation

At the heart of the F16 issue is a decision. Does New Zealand want to help Australia, Malaysia and Singapore?