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## **Australia: Background and U.S. Relations**

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# Australia: Background and U.S. Interests

## Summary

The Commonwealth of Australia and the United States are close allies under the ANZUS treaty. Australia evoked the treaty to offer assistance to the United States after the attacks of September 11, 2001, in which 22 Australians were among the dead. Australia was one of the first countries to commit troops to U.S. military operations in Afghanistan and Iraq. In October 2002, a terrorist attack on Western tourists in Bali, Indonesia, killed more than 200, including 88 Australians and seven Americans. A second terrorist bombing, which killed 23, including four Australians, was carried out in Bali in October 2005. The Australian Embassy in Jakarta, Indonesia, was also bombed by members of Jemaah Islamiya (JI) in September 2004. The Howard Government's strong commitment to the United States in Afghanistan and Iraq and the recently negotiated bilateral Free Trade Agreement (FTA) between Australia and the United States have strengthened what were already close ties between the two long-term allies. Despite the strong strategic ties between the United States and Australia, there have been some signs that the growing economic importance of China to Australia may influence Australia's external posture on issues such as Taiwan. Australia plays a key role in promoting regional stability in Southeast Asia and the Southwest Pacific. Australia has led peace-keeping efforts in the Asia-Pacific region, including East Timor and the Solomon Islands, and has supported U.S. efforts in the war against terrorism in Southeast Asia. Australia has also worked closely with Indonesia to counter terrorism in Southeast Asia. This report will be updated.

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# Australia: Background and U.S. Interests

## Background

Australia was first inhabited from 40,000 to 60,000 years ago. The Aboriginal people of Australia are the world's oldest continuous culture. Today, they account for only about 2% of Australia's total population. While the Aboriginal population were hunter-gatherers, they developed a complex "dream time" culture, a spiritual culture focusing on connections to ancestors and the Australian landscape. Captain James Cook claimed Australia for Britain in 1770 and in 1788 the first European settlement, largely made up of convicts, was established at Sydney, New South Wales. Australia evolved into a pastoral settler society based on sheep and wool with the increasing importance of minerals following the gold rush beginning in 1851. While the majority of Australians have British or Irish ancestry, Australia's immigrants also came from elsewhere in Europe particularly after World War Two. Today, Australian immigration is increasingly from Asia, with Asians accounting for approximately 6% of the population. Despite the centrality of the "bush" or the "outback" to the national myth, Australia has evolved into a very urbanized society with only 15% living in rural areas. Australia made major contributions to the allied cause in both the first and second World Wars and has been a staunch ally of Britain and the United States in their conflicts.

Australia is slightly smaller than the contiguous lower 48 United States and has a population of some 20 million, a per capita GDP of \$30,700 (in purchasing power parity terms), and an annual economic growth rate of 2.7% (2005). Australia's main export partners are Japan (18.7%), China (9.2%), the United States (8.1%), South Korea (7.8%), New Zealand (7.4%), India (4.6%), and the United Kingdom (4.2%).<sup>1</sup>

The Queen of Britain is also the Queen of Australia whose viceregal authority is represented by the Australian Governor General. Despite this, there is a growing Republican movement in Australia that would break with the crown. Australia has a bicameral legislative body with the lower house of Parliament having 150 members and the upper body, the Senate, having 76 members. Australia uses a preferential ballot. The Liberal-National Party coalition and the Labor Party are the two main political forces in Australia. Australia shares similar cultural traditions and values with the United States and has been a treaty ally of the United States since the signing of the Australia-New Zealand-United States (ANZUS) Treaty in 1951.<sup>2</sup>

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<sup>1</sup> "Australia," *CIA World Factbook*, January 10, 2006.

<sup>2</sup> U.S. Department of State, "Background Note: Australia," December, 2004 and Central Intelligence Agency, "World Factbook, Australia," June, 2005.

Australia has for some time been undergoing a national identity debate related to its relationships with Asia, in which it is geographically situated, and with Britain, the United States, and Europe, with which it has deep cultural and historical linkages. Australian trade interests are increasingly focused on Asia, and in particular China, while its key strategic relationship is with the United States.<sup>3</sup>

## Domestic Political Context

Prime Minister John Howard was returned to office in 2004. This led former Opposition Leader Kim Beazley to regain leadership of the Labor Party from Mark Latham. Political leadership issues are likely to play an important role in shaping the future government of Australia. The 66-year-old Prime Minister is now in his fourth term of office. Some doubt that Labor Party Leader Kim Beazley can defeat Howard, who has defeated him twice. The Labor Party remains divided between its center-left and left wing factions. There are also signs that Australian attitudes towards the United States are changing and this may have an impact on Australian foreign policy.

At the general election held in October 2004, the Liberal-National Party coalition increased its majority in the House of Representatives and secured a one-seat majority in the Senate. The next election must be called no later than November 2007. Prime Minister Howard, who was first elected Prime Minister in 1996, returning for a fourth term, promised tough policies on terrorism, continued military support for Iraq, and continued economic prosperity for Australia. The center-right government's platform supports reducing taxes and the power of labor unions, strengthening Australia's trade and security relationship with the United States, and promoting Australia's trade ties with China and Asia.

The former leader of the opposition Labor Party, Mark Latham, was criticized by the Howard Government in the lead-up to the last election for describing President Bush in unfavorable terms and for his intent to withdraw Australian troops from Iraq if elected. In response to

### Australia at a Glance

**Government:** Parliamentary democracy and federal state system

**Leadership:** Prime Minister John Howard  
Head of State Queen Elizabeth II, who appoints a Governor-General, Maj.Gen. Michael Jeffrey

**Political Parties:** Liberal, National, Labor, Greens, Democrats.

**Area:** About the size of the lower 48 states

**Capital:** Canberra, population 323,000

**Population:** 20.2 million (2005 est.)

**Ethnic groups:** Caucasian 92%, Asian 6%, aboriginal and other 2%

**Foreign-born population:** 23.6%

**GDP per capita:** \$30,700 (PPP 2004 est.)

**GDP composition:** agriculture 3.4%, industry 28.2%, services, 68.4% (2004 est.)

**GDP growth:** 2.7% (2005 est.)

**Inflation:** 2.8% (2005 est.)

**Unemployment:** 5.2% (2005 est.)

**Major trading partners:** Japan, U.S., China, Korea, New Zealand, Britain

**Sources:** CIA World Factbook, State Department Background Notes, Economist Intelligence Unit

<sup>3</sup> For a history of the evolution of Australia's external relations see David Lee, *Australia and the World in the Twentieth Century*, (Melbourne: Circa Publishers, 2006).

Latham's proposed policy, President Bush stated that it would be a "disastrous decision" that would "dispirit those who love freedom in Iraq and embolden the enemies who believe they can shake our will."<sup>4</sup> Many on the left of the Labor party also opposed a free trade agreement (FTA) with the United States.<sup>5</sup>

This exchange made the ANZUS alliance an election issue in Australia in 2004 and led to tension between the left wing of the Labor Party and the Bush Administration. Deputy Secretary of State Armitage's criticism of Labor's earlier policy on Iraq led former Labor Prime Minister Paul Keating to urge the United States to stay out of Australian elections. Latham, who was then head of the Labor Party, addressed the issue by reappointing the then former Labor Party Leader Kim Beazley to head the opposition defense portfolio. Beazley has since succeeded Latham to once again head the Labor Party in opposition. Beazley was also formerly Defense Minister in the 1980s and comes from the wing of the Labor Party that is more closely associated with the United States.<sup>6</sup> Beazley's return to the Labor front bench was intended to signal Australian voters and the United States that Latham, while seeking to differentiate himself from Howard on defense issues, would not fundamentally change the close defense relationship between the two countries. Fifty-six percent of Australian voters polled in the lead-up to the 2004 election "thought Bush was out of order" for intervening in Australian politics on the Iraq issue.<sup>7</sup> During the lead-up to the October 2004 election one poll indicated that 48% of Australians opposed an FTA with the United States.<sup>8</sup> Australia, like the United Kingdom, made a significant military contribution to the war in Iraq.

Prime Minister John Howard has now been in office over 10 years. It is thought that Howard will contest the next election due in late 2007. Howard has prevailed by supporting open markets and a deregulated economy and by successfully managing Australia's economic growth during his term of office. Australian inflation and unemployment rates are historically low. Much of Australia's economic prosperity stems from a rapidly expanding trade in raw materials with China. While half of Australians polled feel that Australia has become a "meaner" place, it appears that Howard's economic stewardship is strong enough to swing enough votes to keep him in office.<sup>9</sup>

Australia's reputation in the international community was hurt by revelations that the Australian Wheat Board provided \$221 million in "kickbacks" to the regime of Saddam Hussein during the period from 1997 to 2003 when it sold 6.8 million tons of wheat to Iraq worth \$2.3 billion under the United Nation's oil-for-food

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<sup>4</sup> "Australia: Friendly Fire," *Far Eastern Economic Review*, July 15, 2004.

<sup>5</sup> Mark Davis, "Latham Faces Party Showdown on FTA," *Financial Review*, July 21, 2005.

<sup>6</sup> "Beazley Can Defuse the Alliance Imbroglia," *Financial Review*, July 13, 2004.

<sup>7</sup> "Australia: Friendly Fire," *Far Eastern Economic Review*, July 15, 2004.

<sup>8</sup> "Marginal Seat Voters Oppose US FTA," *Australian Associated Press*, July 26, 2004 and Shane Wright, "Polling Shows FTA Opposition," *Geelong Advertiser*, July 24, 2004.

<sup>9</sup> "Australia: Ten Years, and Still Planning to Go On," *The Economist*, March 11, 2006.

programme.<sup>10</sup> This was reportedly the single biggest source of kickbacks to Hussein.<sup>11</sup>

## Relations with the United States

The United States continues to view the bilateral relationship with Australia as one of its closest relationships. Secretary of State Rice stated in May 2005, “Of course, the United States has no better friend than Australia, a friend allied with us in the war on terrorism, allied with us in the spread of democracy and prosperity, a country with which we recently have a free trade agreement, which I think is serving both countries well.”<sup>12</sup> These close ties were reaffirmed during Prime Minister Howard’s July 2005 visit to Washington at which time Australia and the United States reaffirmed their alliance against terror even as some differences in approach to China emerged.<sup>13</sup> They were also reaffirmed during Secretary Rice’s March 2006 visit to Australia, and other Asian countries, which did much to address concerns of some in Australia, and elsewhere in the region, that the United States was downgrading the attention paid to the Asia-Pacific relative to the attention paid to the Middle East.<sup>14</sup> Some key strategic commentators in Australia viewed Secretary of State Rice’s decision not to attend the annual bilateral Australia-U.S. Ministerial (AUSMIN) talks in January 2006 as a sign that the United States was “taking its eye off important geopolitical developments,” particularly in Asia.<sup>15</sup>

### Secretary of State Rice’s March 2006 Visit

Secretary of State Rice traveled to Australia on March 15, 2006, for a three-day visit. Two previously planned visits had been canceled.<sup>16</sup> The growing influence of China in the region was considered to be a likely topic for discussion. Secretary Rice, Australian Foreign Minister Downer, and Japanese Foreign Minister Taro Aso were thought to seek to define the direction and purpose of the evolving Trilateral Security Dialogue. In the lead-up to their meeting, Dr. Rice stated that “I think all of us in the region, particularly those who are longstanding allies, have a joint responsibility and obligation to try and produce conditions in which the rise of China will be a positive force in international politics, not a negative force.” Some Australian strategic

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<sup>10</sup> “Wheat Scandal,” *The Economist*, January 28, 2006.

<sup>11</sup> “Wheat Scandal Worsens,” *Radio Australia*, Australian Broadcasting Corporation, February 10, 2006.

<sup>12</sup> “US Security Talks with Australia, Japan to Intensify, Rice Says,” State Department Press Release, May 4, 2005.

<sup>13</sup> Sam Coates, “Leaders Affirm United Front on Terrorism,” *The Washington Post*, July 20, 2005.

<sup>14</sup> Greg Sheridan, “No Excuses for a Part-time US Secretary of State,” *Sunday Telegraph*, January 15, 2006 and “Trilateral Breakthrough Down Under,” *The Japan Times*, March 23, 2006.

<sup>15</sup> Paul Dibb, “The Decline of American Sway,” *The Australian*, January 11, 2006.

<sup>16</sup> Paul Dibb, “The Decline of American Sway,” *The Australian*, January 11, 2006.

commentators were concerned that statements by the Secretary of State that portrayed the Trilateral Security Dialogue as directed at containing China may provoke China into a more aggressive posture.<sup>17</sup> Many in Australia value Australia's valuable trade relationship with China even as they look to the United States as Australia's overwhelmingly most important strategic relationship.

## Defense Ties

President Bush reaffirmed the bonds of the alliance on October 22<sup>nd</sup> and 23<sup>rd</sup>, 2003, during a visit to Australia where he met with Prime Minister Howard and addressed a special sitting of parliament to thank Australia for its role in the war on terror and for its support in Iraq. The now bilateral alliance, which stems from the trilateral Australia, New Zealand, United States Security Treaty (ANZUS) of 1951, took on new meaning, for the United States and Australia, when Australia evoked the treaty to offer assistance to the United States in the wake of the 9/11 attacks. Major differences over nuclear policy in the mid-1980s led to the de facto end of the New Zealand-U.S. alliance relationship. The annual ANZUS meeting was replaced by the Australian-U.S. Ministerial consultations (AUSMIN). The AUSMIN consultations are a key aspect of the now defacto bilateral alliance relationship under what was a trilateral Australia-New Zealand-United States (ANZUS) alliance. Australia's *National Security Defence Update* states that the Australia-U.S. alliance "is based on shared values and interests and remains the cornerstone of our national security."<sup>18</sup> The two countries also operate early warning and intelligence joint facilities at Pine Gap and Nurrungar.<sup>19</sup>

In December 2003, the Howard government announced plans to participate in United States missile defense development. This marked a significant evolution of the alliance relationship.<sup>20</sup> Australia's Jindalee over-the-horizon radar has demonstrated in trials that it is capable of detecting missile launches.<sup>21</sup> In September 2004 trials of the Jindalee system examined the systems capability in early boost phase detection of ballistic missile launches.<sup>22</sup> Australia also selected the Aegis radar for its new air warfare destroyers which will enable the ships to detect and guide

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<sup>17</sup> "Rice to Make First Visit as Secretary of State," *Australian Associated Press*, March 14, 2006.

<sup>18</sup> *Australia's National Security Defence Update*, (Canberra: Australian Government, Department of Defence, 2005).

<sup>19</sup> For a more detailed discussion of the Australia-U.S. defense relationship see Thomas Durrell-Young, "The Nuanced Australia-U.S. Defense Relationship," Woodrow Wilson International Center for Scholars, Asia Program, June 1, 2005.

<sup>20</sup> Cynthis Banham, "Australia Joins U.S. Missile Defense Plan," *The Sydney Morning Herald*, December 5, 2003.

<sup>21</sup> Daniel Clery, "New Missile-killer Pact to Put Latham Under Pressure," *The West Australian*, December 5, 2003.

<sup>22</sup> "Jindalee Radar to Play Role in US-Australian BMD Pact," *International Defense Review*, Sept. 1, 2004.



missiles to intercept missiles and aircraft.<sup>23</sup> Jindalee detects missiles and aircraft over the horizon through ionospheric reflection. Australia and the United States signed a Memorandum of Understanding which includes a 25-year agreement to cooperate on the research and deployment of the missile detection system which “could outperform satellites in the early detection of ballistic missiles.”<sup>24</sup> The MoU was one of the major outcomes of the 2004 AusMin meeting.<sup>25</sup>

The decision to participate in the missile defense program is part of a larger decision by Australia, as demonstrated in Afghanistan and Iraq, to continue to have a close connection with the United States’ military strategy and operations. Australia was the first country to offer its armed services to the International Coalition Against Terrorism (ICAT) and has sent rotations of special forces troops plus regular troops to Afghanistan. The Howard government supported the U.S. in Iraq by sending about 2,000 defense personnel, F/A-18, P-3 and C-130 aircraft, two ANZAC Frigates, and a special forces task group.<sup>26</sup> Australia has also joined the U.S.-sponsored Proliferation Security Initiative (PSI). The PSI’s aim is to interdict aircraft and ships that could be carrying weapons of mass destruction, missiles or drugs.

Another outcome of the 2004 AUSMIN meeting was an agreement to develop a Joint Combined Training Center to facilitate allied deployments such as Iraq and Afghanistan. The Joint training operation has been called Operation *Talisman Sabre*. It has been reported that bases in Queensland and the Northern Territory will be used for training activities which will include amphibious assault, air raids, and live fire exercises with the objective of improving interoperability for further joint combat operations.<sup>27</sup> While the opposition parties generally support joint training with the United States, including in Australia, they have generally been less supportive of arrangements that might be construed as American bases in Australia.

The 2005 AUSMIN meeting held in Adelaide, Australia, in November reportedly reaffirmed commitment to develop the Joint Combined Training Centre, pointed to closer cooperation in intelligence and moves to improve interoperability of forces while addressing the need for increased information sharing to support military and counterterror operations. Other issues discussed in the Joint Communique included counterterror cooperation, regional cooperation, Afghanistan, Iraq, non-proliferation, and bilateral defense relations. Key outcomes of the 2005 AUSMIN included an MoU on the Joint Combined Training Centre, which will lead

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<sup>23</sup> “Australia Chooses Aegis Radar for New Destroyer,” *Defense News*, August 23, 2004.

<sup>24</sup> David Sands, “U.S. Gets Missile-Defense Partner,” *Washington Times*, July 8, 2004.

<sup>25</sup> “US Australia to Cooperate on Missile Defense, Troop Training,” *State Department Press Release*, July 8, 2004.

<sup>26</sup> “Operation Falconer,” Australian Department of Defense, [<http://www.defence.gov.au>].

<sup>27</sup> Luke McIlveen, “US Soldiers to Train in Australia with Our Forces,” *The Mercury*, July 9, 2004.

to the upgrading of the Shoalwater Bay training area in Queensland, movement to enhance regional peace operations capabilities, and strategic bomber training.<sup>28</sup>

Australia has, like the United States, undergone a fundamental rethinking of the basis of its security posture, post-9/11 and post-Bali. Many view this as a more robust and proactive approach. The Australian defense budget was increased from AD\$12.86 billion in 2004-2005 to AD\$17.5 billion for 2005-2006. This budget funds a force of some 52,000 regular personnel.<sup>29</sup> The Australian Defence Capability Plan identified a 10-year, AD\$54 billion procurement plan which includes 3 Air Warfare destroyers, 6 airborne early warning aircraft, 2 amphibious landing ships, 5 Airbus tankers, upgrades for 71 F/A-18 hornet aircraft, 22 Tiger Reconnaissance helicopters, 12 trooplift helicopters, and 59 Abrams M1A1 AIM tanks.<sup>30</sup> In recent years, defense policy makers in Australia have asked if the traditional underpinnings of Australian defense planning and capability development — defense of Australia, operations in the region and coalition warfare — “still provide a sufficiently firm but flexible foundation for planning and capability development, particularly when addressing today’s threats.”<sup>31</sup> Australia is increasingly reconfiguring its defense force from a force focused on continental defense to one configured for manoeuver warfare.<sup>32</sup> Australia’s evolving strategy increasingly takes a global as well as regional view of threats to Australia and is placing increasing importance on forces that are suitable for joint operations and expeditionary warfare at locations distant from Australia such as Iraq and Afghanistan, as well as regional deployments in East Timor and the Solomon Islands.

Australia has a close arms procurement relationship with the United States. It will become the first export destination for the Lockheed Martin AGM-158 Joint Air-to-Surface Stand-off Missile which will arm Australia’s F/A-18 and future F-35A Joint Strike Fighters (JSF).<sup>33</sup> This strike capability, as well as new air-to-air refueling and airborne early warning, is to be in place before Australia retires its F-111 aircraft in 2010. Australia also recently announced plans to buy Boeing C-17 Globemaster III air lifters at a cost of \$1.5 billion. This will give Australia the capability to airlift its M1A1 Abrams tanks.<sup>34</sup> It also appears consistent with further developing the

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<sup>28</sup> “U.S., Australia Security Alliance Retools to Meet Modern Threats,” *States News Service*, November 18, 2005 and *The 2005 Australia-United States Ministerial Consultations Joint Communique*.

<sup>29</sup> “With a Focus on Iraq and Indonesia, Extra \$507 m Earmarked,” *The Canberra Times*, May 11, 2005.

<sup>30</sup> “Robert Hill, Australian Minister for Defense,” *Defense News*, March 14, 2005.

<sup>31</sup> Ministry of Defense, *Australia’s National Security: A Defense Update* (Canberra: Commonwealth of Australia, 2003).

<sup>32</sup> Paul Monk, “Revolution in Defence,” *The Financial Review*, July 8, 2005.

<sup>33</sup> JASSM To Arm Australian Hornets, F-35s,” *Defense News*, March 6, 2006.

<sup>34</sup> Gregor Furgeson, “Australia to Purchase up to Four C-17s,” *Defense News*, March 6, 2006.

capability to support global security in and beyond the Asia-Pacific, which the United States has reportedly called on Australia to continue to do.<sup>35</sup>

One of Australia's largest defense acquisitions in years to come will likely be the Lockheed Martin F-35 Joint Strike Fighter. Australia is one of eight countries that joined the United States in the development phase of the JSF.<sup>36</sup> The Australian government recently expressed its concern that the JSF will reportedly have a degraded level of stealth. Australia has already spent AD\$200 to AD\$300 million in development costs for a proposed AD\$15 billion sale for 100 aircraft to be delivered between 2012 and 2014. The Australian dollar is worth approximately 74 cents. The opposition in parliament has called for a "rethink" of the purchase.<sup>37</sup> The United Kingdom is also concerned over the terms of its purchase of the JSF.<sup>38</sup> Australian Rear Admiral Raydon Gates reportedly informed the Senate Armed Services Committee that "guaranteed access to necessary JSF data and technology to allow Australia to operate and support the JSF will be required before we join the next phase of the project." Australia has been seeking an exemption from American International Traffic in Arms Regulations (ITAR).<sup>39</sup>

Australia currently is grappling with the future of the ANZUS alliance as part of its overall search to refine its national identity and come to terms with its economic, strategic, and cultural realities. Former Australian Defence Force Chief Admiral Chris Barrie made several controversial observations about the alliance at the Australian Navy Sea Power Conference in January 2006. At that time, he speculated that the alliance may be viewed by the United States as "moribund and worthless ... as Australia becomes less significant in its region" in the years ahead.<sup>40</sup> At the same conference it was projected that China's share of world GDP will rise from 13% in 2004 to 20% in 2050 while Australia's share will decrease from 1.1% to 0.7% over the same period. Australia's population is projected to rise to only 28 million by 2050 while both India and China will be over one billion.

## Economic and Trade Issues

Australia's economic strategy is a mix of both Asian regionalism, in which China is increasingly assuming a prominent role, and globalism. Australia's largest trading partner is the European Union, its largest investment partner is the United

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<sup>35</sup> "US Calls on Canberra to Play Role Outside Asia-Pacific," *Australia Radio*, Australian Broadcasting Corporation, February 7, 2006.

<sup>36</sup> "Senate Committee to Examine Air Power," *Australian Associated Press*, June 14, 2005.

<sup>37</sup> Craig Skehan, "Jet Downgrade to be Investigated," *Sydney Morning Herald*, March 15, 2006.

<sup>38</sup> Tom Baldwin, "Britain in Clash Over US Fighter Secrets," *London Times*, March 15, 2006.

<sup>39</sup> Max Blenkin, "Fighter Deal Stalls on Secret Technology," *The Australian*, March 15, 2006.

<sup>40</sup> Gregory Furgeson, "Australia Flanked by Asia's Giants," *Defense News*, February 20, 2006.

States, and its largest export markets are in Asia.<sup>41</sup> Australia's economy has performed well in recent years though it has slowed over the past year. The Australian government hopes that the recently negotiated free trade deal with the United States will fuel further growth.<sup>42</sup> The Australia-United States Free Trade Agreement (AUSFTA) came into force on January 1, 2005. Over the following year bilateral trade grew by 6% to total \$23 billion in 2005. American exports to Australia in 2005 increased 10.9% to reach \$15.8 billion.<sup>43</sup> By these measures the agreement appears to be a success for American exporters.

Australia is also seeking a free trade agreement with China to further expand what may become Australia's largest trade relationship. Currently, China is Australia's third largest trade partner. It is estimated that a free trade agreement with China could increase Australia's GDP by \$18 billion between 2006 and 2015.<sup>44</sup> Chinese Premier Wen Jiabao's stated that an FTA was expected in two years during his April 2006 visit to Australia.<sup>45</sup> Australia and China also reached an agreement on the export of uranium to China.

While Australia's economy is dominated by its services sector, the agricultural, mining, and energy sectors account for the bulk of its exports. The agricultural and mining sectors combined, although only 8% of GDP, account for 52% of Australia's goods and services exports.<sup>46</sup> Among its largest export items are coal, gold, iron ore, aluminum, mineral fuels, meat, and wheat. The Australian economy and balance of trade are strongly influenced by world prices for primary products.

Some estimates projected that the Australian-U.S. Free Trade Agreement (AUSFTA) could increase U.S. manufacturing exports by up to \$2 billion per year.<sup>47</sup> Elements within the Labor Party, including former Prime Minister Keating, expressed doubts about the agreement, arguing that it would hurt Australian farmers and undercut Australia's trade with its East Asian partners.<sup>48</sup> Recognizing Australia's contribution to the United States' war against terror, Friends of Australia Congressional Caucus co-chair Jennifer Dunn stated, "It is important to recognize the

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<sup>41</sup> Michael Evans, "US-Australia Relations in Asia," Woodrow Wilson Center Asia Seminar, June 1, 2005.

<sup>42</sup> Tom Holland, "A Booming Economy Looks Overseas," *Far Eastern Economic Review*, June 5, 2003.

<sup>43</sup> Deputy Prime Minister and Minister for Trade Mark Vaile and U.S. Trade Representative, Ambassador Rob Portman, "Joint Press Conference," March 7, 2006. [<http://www.trademinister.gov.au>].

<sup>44</sup> "China Ambassador Says Some Bumps on the Road to Closer Ties," *Australian Associated Press*, July 7, 2005.

<sup>45</sup> "China, Australia Make Significant Free Trade Progress," *Mineweb*, April 7, 2006.

<sup>46</sup> "Background Note Australia," Department of State, Sept. 2005.

<sup>47</sup> E. Becker and R. Pear, "Trade Agreement May Undercut Importing of Inexpensive Drugs," *The New York Times*, July 12, 2004.

<sup>48</sup> Tom Holland, "A Booming Economy Looks Overseas," *Far Eastern Economic Review*, June 5, 2003.

people who were there to help.”<sup>49</sup> The bilateral free trade agreement between the United States and Australia eliminates tariffs on manufactured goods but retains United States protection for American sugar, dairy and beef industries. Australian Trade Minister Vaile stated the agreement “moves Australia into a much closer level of integration with the biggest economy in the world.”<sup>50</sup> Australia’s main exports to the United States include meat and poultry, wine, crude oil and inorganic chemicals; the major U.S. exports to Australia include aircraft and parts, chemicals, computers, and pharmaceuticals. Unlike the situation with most countries, the United States runs a trade surplus with Australia that averaged approximately \$6 billion annually from 1998 to 2002.<sup>51</sup>

## Asia-Pacific and Global Affairs

The evolving regional and global strategic landscape has led many in Australia to begin to reconceptualize the role of geography in Australian external and security relations. The Howard Administration has consistently taken the position that Australia does not have to choose between its history and its geography, meaning that it can engage Asia while maintaining close ties to Western liberal democracies with similar values.<sup>52</sup> Australia’s association with the United States has been particularly close under Prime Minister Howard and President Bush. Australia has in the past relied on concepts such as the defense of Australia, self-reliance within an alliance framework, forward defense, and forward engagement, all of which relied to a large extent on Australia’s geography and/or its historical ties to great and powerful friends and allies. Australia is now adapting these concepts to integrate a regional Asia-Pacific outlook and a global perspective in an effort to maximize its national interests. This evolving posture is largely the outcome of a number of key recent events that have shaped how Australia perceives the external environment, the most significant of which are the Asian financial crisis of 1997 and its political impact on the region; Australia’s East Timor intervention of 1999; the war against terror and deployments to Afghanistan and Iraq as well as the Bali bombings of 2002 and 2005; and the bombing of the Australian Embassy in Jakarta in 2004. These events all had significant global as well as regional dimensions.<sup>53</sup>

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<sup>49</sup> Stephen Norton, “Land Down Under May Be Next Up for Trade Pact,” *Congressional Quarterly*, July 17, 2003.

<sup>50</sup> Paul Blustein, “U.S., Australia Agree on Free-Trade Pact,” *The Washington Post*, February 9, 2004.

<sup>51</sup> “US Enjoys Big Trade Advantage Over Australia,” *CQ Today*, July 18, 2003.

<sup>52</sup> For a recent discussion of Australian foreign policy see Alexander Downer, “Securing Australia’s Interests Australian Foreign Policy Priorities,” *Australian Journal of International Affairs*, March, 2005.

<sup>53</sup> See Michael Evans, “US-Australia Relations in Asia,” Woodrow Wilson Center Asia Seminar, June 1, 2005, and Allan Gyngell, “Australia’s Emerging Global Role,” *Current History*, March, 2005, for excellent discussions of these events and their impact on Australian strategic thought.

The Howard Administration's central foreign policy tenet, that Australia does not have to choose between its history and geography, is now viewed by many as undergoing a significant test as Australia's strategic relations may increasingly be at odds with Australia's trade interests. Southeast Asian terrorism, with its linkages to global terrorism, and the potential disintegration of failing states to the north of Australia, such as the Solomon Islands and Papua New Guinea, are key security interests for Australia that compel Australia to play an active role in promoting regional security in tandem with American regional interests. While Australia does not see conflict between the United States and China as inevitable, such a conflict, if it becomes more strident, may make the Howard Administration's position with China more difficult.

## Asian Engagement

Under the previous Labor Prime Minister Paul Keating, Australia had been pursuing a policy of engagement, or enmeshment, with Asia. This initiative was not fully supported by the Australian public or regional states, such as Malaysia, which have had a difficult time accepting Australia as an Asian nation. Indonesia and Malaysia reportedly rejected Australia's bid for membership in ASEAN.<sup>54</sup> Despite some diplomatic differences, Australia continues to have extensive trade and security linkages with regional states.

Although Australia has increasingly recognized the need for close relations with Asia, it has tried not to emphasize these ties at the expense of its Western roots and democratic values. The Howard government, like previous Australian governments, has also sought to keep the United States closely involved in East Asia and the Pacific. Some Asian countries have welcomed the strengthened U.S.-Australian defense relationship, but others, notably China, have been critical. Beijing strategists are thought by some to be concerned that recent strengthening of the U.S. alliances with Australia and Japan may be aimed at "containing" China and preventing its rising power and influence. Some have argued that greater Australian support of the United States may undermine Australia's efforts to engage Asia at a deeper level.<sup>55</sup>

**Australia and Indonesia.** Australia and Indonesia have experienced difficulty in their bilateral relationship for a number of reasons including, most notably, tensions over temporary asylum granted by Australia to a number of West Papuans.<sup>56</sup> Indonesian fears over Australia's role in West Papua can be better understood in context of the recent independence of East Timor, which was formerly an Indonesian province. Australia, under the United Nations, played a key role in assisting East Timor in its path to becoming an independent nation. An April 2006

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<sup>54</sup> Lincoln Wright, "New Row Sours Asia Links," *Canberra Times*, November 7, 2002.

<sup>55</sup> Derek McDougall, "Australia and Asia-Pacific Security Regionalism: From Hawke and Keating to Howard," *Contemporary Southeast Asia* (Singapore), April, 2001.

<sup>56</sup> "Indonesia's Rift with Australia," *Sydney Morning Herald*, April 21, 2006.

poll in Australia found 75% of Australians favoring self-determination for West Papua.<sup>57</sup>

More recently, relations have suffered as the result of a high profile criminal case in Indonesia and Australian plans for a maritime identification zone. A 27-year-old Australian, Schapelle Corby, was sentenced in Indonesia to 20 years in jail for smuggling marijuana into Bali. The Australian public generally did not believe she was guilty of the crime and became critical of the harsh sentence given to her. The Indonesian Embassy was closed for two days after a package with white powder that was thought to be anthrax was sent to the Indonesian Ambassador in Canberra.<sup>58</sup> It is thought that antagonism towards Indonesia emanating from the Corby case motivated the sender of the package. Indonesia has opposed Australian plans for establishing a 1,000 mile maritime identification zone to combat terrorism.<sup>59</sup>

The deterioration of the bilateral relationship between Australia and Indonesia has occurred despite cooperation in a number of areas. In December 2004, Australia pledged AD\$20 million to Indonesia for counterterror assistance over the next five years.<sup>60</sup> Australia's generous tsunami assistance, a pledged AD\$1 billion, did much to further improve relations between Australia and Indonesia, which had been recovering since Australia's involvement in East Timor in 1999. The East Timor intervention was largely viewed negatively in Indonesia and led to the end of the Agreement on Mutual Security between Canberra and Jakarta.<sup>61</sup> Australia and Indonesia resumed joint military exercises with an air force exercise held in April 2005. In April 2005, Indonesian President Yudhoyono and Prime Minister Howard signed an agreement to create a new security pact between their two states. The agreement also provided a guarantee that Australia would not support secession in Aceh or West Papua.<sup>62</sup>

**Australia's Evolving Relationship with China.** One of the most significant changes in Australia's external relations, and one with potential implications for the bilateral relationship with the United States, is Australia's growing relationship with China. Australia's trade with China has more than tripled over the past decade, making China Australia's third largest trading partner.<sup>63</sup> There is a debate in Australia on whether Australia's growing trade ties with China will

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<sup>57</sup> "Howard Rejects Papua Poll," *Canberra Times*, April 20, 2006.

<sup>58</sup> "Indonesia Ambassador Recalled Early from Australia," *Dow Jones News*, June 14, 2005.

<sup>59</sup> Mathew Moore, "Indonesia Rejects Security Zone Plan," *Sydney Morning Herald*, December 18, 2004.

<sup>60</sup> Adianto Simamora, "Terrorism Bolsters Australia's Ties with Indonesia," *The Jakarta Post*, December 28, 2005.

<sup>61</sup> Richard Woolcott, "Foreign policy priorities for the Howard Government's Fourth Term," *Australian Journal of International Affairs*, June, 2005.

<sup>62</sup> "Australia and Indonesia Hold First Military Exercise for Six Years," *Oster Dow Jones*, April 12, 2005.

<sup>63</sup> Janaki Kremmer, "How Trade May Corral Australia's Sheriff," *Christian Science Monitor*, June 8, 2005.

lead Australia to have to choose between engagement with China and its close relationship with the United States. Australia has taken the position that China's rise has come with "a growing understanding that its continued development and future prosperity depends on maintaining a stable regional and international environment."<sup>64</sup>

With China positioned, according to some, to replace the United States as Australia's largest trading partner, some in Australia have speculated that "the weight of our trade relations with China has caused some wavering in our attitudes to the U.S. alliance, particularly on the Taiwan issue."<sup>65</sup> As a result, there is little enthusiasm in Australia for what is perceived as an increasingly tough policy stance on China in Washington.<sup>66</sup>

The government of Prime Minister Howard favors a policy of engagement with China. His Foreign Minister Alexander Downer has stated that "a policy of containment of China would be a very big mistake." This view reflects concern in Australia that more hawkish elements of the Bush Administration may shift U.S. policy away from "pragmatic constructive engagement to a more confrontational position" toward China.<sup>67</sup> Prime Minister Howard recently traveled to India to improve bilateral ties and reportedly discussed the possibility of selling uranium to India.<sup>68</sup> Such a move to improve ties is consistent with recent U.S. initiatives to develop bilateral relations with India. Australia has had a policy of not selling uranium to states that have not signed the Nuclear Non-Proliferation Treaty.<sup>69</sup> Other areas of policy departure with the United States include Australia's April 2006 agreement to sell uranium to China and Canberra's reluctance to condemn the European Union's move to lift its arms embargo of China in 2005.<sup>70</sup> Australia has 40% of the world's known uranium reserves.<sup>71</sup>

There is evidence of a significant shift in Australians' attitudes towards the United States and China. In a spring 2005 poll conducted by the Lowy Institute of Sydney, 58% of Australians polled gave the United States a positive assessment while 69% gave China one.<sup>72</sup> Only 34% of Australians polled think the free trade agreement (FTA) with the United States will be good for Australia while 51% felt an FTA with China would be good for Australia. Sixty-eight percent also felt that

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<sup>64</sup> Minister for Foreign Affairs, Alexander Downer, "Australia and China's Shared Interests - Security and Strategic Dimensions," August 13, 2004.

<sup>65</sup> Gopal Ratnam, "U.S. Asia Policy Faces Myriad Challenges," *Defense News*, June 13, 2005.

<sup>66</sup> Tony Pratt, "Caught in the Middle," *Financial Review*, May 6, 2005.

<sup>67</sup> Patrick Walters, "Containing China a Big Mistake," *The Australian*, March 16, 2006.

<sup>68</sup> "PM Discusses Uranium Sale," *The Courier Mail*, March 14, 2006.

<sup>69</sup> Greg Sheridan, "How to Cement a New Friendship," *The Australian*, March 9, 2006.

<sup>70</sup> Brendan Nicholson and Orietta Guerrero, "Embrace China, Downer Tells U.S.," *The Age*, March 16, 2006.

<sup>71</sup> Barry Hing, "China's Pacific Power Play," *The Straits Times*, April 6, 2006.

<sup>72</sup> Ivan Cook, *Australians Speak 2005: Public Opinion and Foreign Policy*, (Sydney: Lowy Institute for International Policy, 2005).



Australia paid too much attention to the views of the United States while only 2% felt that Australia paid too little attention. Only 35% were worried about China's growing power. U.S. foreign policies and Islamic fundamentalism were both viewed by 57% of those polled as a threat to the outside world while 72% felt that the ANZUS alliance was very important. Only 21% of Australians polled supported following the United States to war with China over Taiwan.<sup>73</sup>

In August of 2004, Foreign Minister Downer, in response to a question on whether the ANZUS alliance applied to a conflict over Taiwan, stated that the treaty would not automatically be invoked.<sup>74</sup> Some have described the Downer statement on Taiwan as a "radical restatement of Australian policy while others have passed it off as gaffe."<sup>75</sup> Prime Minister Howard has warned against taking the pessimistic view that conflict between America and China is inevitable and has stated that "we see ourselves as having a role in continually identifying, and advocating to each, the shared strategic interests these great powers (the United States and China) have in regional peace and prosperity."<sup>76</sup>

Australia's plans for a Free Trade Agreement with China, which it reportedly hopes to complete by 2007,<sup>77</sup> could be complicated by the defection of a Chinese diplomat, Chen Yonglin, who was based at the Chinese consulate in Sydney. It was reported that Chen stated that his application for political asylum in Australia was initially rejected.<sup>78</sup> Chen is reported to have claimed to have knowledge of Chinese espionage in Australia and that China's policy towards Australia is aimed at driving a wedge between it and the United States.<sup>79</sup> As media attention focused on the issue, his application for asylum was granted. Commentators in Australia have pointed out that the case highlights the problem that Australia faces in getting closer to China.<sup>80</sup>

The geopolitical challenge for Australia appears to be how to reconcile the direction of its economic policies, which appear to increasingly draw it towards China, and its strategic direction that continues to emphasize the alliance with the

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<sup>73</sup> "Australian Views a Shock for PM Howard," *The Guardian*, April 6, 2005.

<sup>74</sup> Peter Jennings, "Australia's Regional Diplomacy Challenge," *Financial Review*, April 30, 2005.

<sup>75</sup> Greg Sheridan, "Chinese Human Rights Abuse a No-go Zone," *The Australian*, June 25, 2005.

<sup>76</sup> Hugh White, "US May Play Hardball with Australia Over China Ties," *The Straits Times*, April 16, 2005 and Hugh White, "Howard's Asian Balancing Act," *The Age*, April 13, 2005.

<sup>77</sup> "How to Talk to Asia," *South China Morning Post*, June 7, 2005.

<sup>78</sup> Veronica Brooks, "Defectors Could Hurt Australia-China Ties," *The Asian Wall Street Journal*, June 9, 2005.

<sup>79</sup> "Leading Thinktank Warns of Challenge of US/China Relationship," *SBS*, June 23, 2005 and Bill Getz, "Beijing Devoted to Weakening the 'Enemy' U.S. Defector Says," *The Washington Times*, June 27, 2005.

<sup>80</sup> Paul Kelly, "Tiptoeing Around China," *The Australian*, June 11, 2005.

United States as well as ties to Japan.<sup>81</sup> Mounting calls in Australia for the Howard Government to clarify its policy towards China include the former leader of the Liberal Party, and former Opposition Leader, John Hewson. Hewson has asked the question “are we kowtowing” or “tugging a forelock” with regard to China on the Chen Yonglin case, and with regard to the government’s reported decline of an invitation to attend a China policy session with the United States, Canada, Japan, and New Zealand.<sup>82</sup> It was reported that China has warned Australia to review its ANZUS Treaty commitments and not to invoke the ANZUS Treaty over Taiwan.<sup>83</sup> Some have concluded in Australia that China’s long term strategic aims include “decoupling the Australian, Japanese, and Korean alliances to the United States” and “establishing a sphere of influence through East Asia and the Pacific to ensure its access to the energy, raw materials, and foreign investment necessary to fuel its growth.”<sup>84</sup> Those on this side of the debate tend to reemphasize ties to the United States, including calls for strengthening ties with India and Japan as balancers to China in Asia. Other strategic policy analysts in Australia are discussing the idea that Australia define a space for itself in Asia as an honest broker between the United States and China.<sup>85</sup>

Australia’s long record of supporting the United States, including most recently its support for the United States in Iraq and Afghanistan, has led many American observers to be puzzled by what some see as a shift in Australian policy towards a relatively less closely linked, more independently positioned stance on issues such as Taiwan. Foreign Minister Downer raised concern when he indicated that the ANZUS treaty would not automatically trigger Australian support for the United States in a conflict over Taiwan. One possible explanation for the apparent shift in policy by the Howard government is a shift in Australians’ sentiment towards the United States as noted in the Lowy Institute poll. The shift in sentiment in Australia may be driven by both Australians’ unease with having gone to fight in Iraq with the United States based on what is perceived by many in Australia as incorrect information on the scale of Saddam Hussein’s weapons of mass destruction capabilities and Australian’s unease with what they perceive as the “religious fundamentalism that infuses the Bush Administration.”<sup>86</sup> Former Prime Minister Paul Keating has attributed the change in Australian attitudes towards America to the unpopularity of George Bush in Australia, an anti-authoritarian outlook that is uncomfortable with American foreign policy and a “sense of drift over where

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<sup>81</sup> Paul Kelly, “Howard’s Asian Balancing Act,” *The Australian*, June 29, 2005 and Richard Woolcott, “Foreign Policy Priorities for the Howard Government’s Fourth Term,” *Australian Journal of International Affairs*, June 2005.

<sup>82</sup> John Hewson, “No Need for Us to Kowtow,” *Financial Review*, July 8, 2005.

<sup>83</sup> Michael Danby, “Australia Walks a Taiwanese Tightrope,” *Australian Financial Review*, March 17, 2005, and Robert Kagan, “Those Subtle Chinese,” *The Washington Post*, March 10, 2005.

<sup>84</sup> Geoffrey Barker, “Time for Tough Talking,” *Australian Financial Review*, June 27, 2005.

<sup>85</sup> Tony Pratt, “Caught in the Middle,” *Financial Review*, May 6, 2005.

<sup>86</sup> Geoffrey Barker, “PM Keeps Wary Eye on US,” *Australian Financial Review*, April 4, 2005.

Australia's future lies."<sup>87</sup> In this way, popular sentiment in Australia appears to be translating into subtle shifts in government foreign policy and a more nuanced association with the United States.

## Regional Involvements

**East Timor.** Australia's commitment to regional security and humanitarian concerns in the Asia-Pacific region was demonstrated by its involvement in East Timor. The former Portuguese colony was occupied by Indonesia from 1975 to 1999. In 1998, diplomatic intervention by Prime Minister Howard prompted the dialogue between Indonesian officials and East Timorese nationalists that resulted in an agreement to hold U.N.-supervised elections in 1999. On August 30, 1999, nearly 80% of East Timor's electorate voted to separate from Indonesia. Following the announcement of the result, anti-independence militias launched a campaign of violence. On September 15, 1999, the U.N. Security Council authorized the International Force East Timor (INTERFET) to restore peace and security and protect and support the U.N. mission personnel in East Timor. INTERFET operated under a unified command structure headed initially by Australia. East Timor became independent in 2002.<sup>88</sup>

Australia and East Timor have reached an agreement for the exploitation of energy resources beneath the Timor Sea. It has been estimated that East Timor will receive up to \$15 billion in revenue over the next 40 years in oil and gas royalties.<sup>89</sup> In 2004 and 2005 there had been a level of Congressional concern over Australia's position on negotiating its maritime boundary with East Timor and arrangements for joint exploitation of energy resources in the Timor Sea. Australia and East Timor have agreed to postpone final demarcation of their maritime boundary. (For further discussion see CRS Report RS22136, *East Timor: Potential Issues for Congress*, by Rhoda Margesson and Bruce Vaughn).

**Solomon Islands.** Australia's Regional Assistance Mission to the Solomon Islands demonstrates Australia's resolve to reassert its influence and promote stability in the South Pacific. Australia headed a multinational force to restore order in the Solomons in 2003. In April 2006 it once again sent a quick reaction force to the Solomons to quell rioting and violence following the election of Prime Minister Snyder Rini.<sup>90</sup> These interventions, when taken in the context of Australia's involvement in East Timor and ongoing efforts to promote peace and good governance in Papua New Guinea, demonstrate Australia's commitment to promote stability in the region in order to prevent countries from slipping into anarchy. Australia has also proposed that the smaller of the South Pacific micro-states pool their resources for their common good.

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<sup>87</sup> "New Best Friends-Australia," *The Economist*, April 2, 2005.

<sup>88</sup> "Australian PM Hints at Long-term Military Presence in East Timor," *BBC Monitoring Service*, June 19, 2003.

<sup>89</sup> "Turning Timor Oil Into Prosperity," *The Sydney Morning Herald*, July 11, 2005 and "East Timor PM Says Gas Deal with Australia is Fair," *BBC News*, July 8, 2005.

<sup>90</sup> John Kerin, "Flying Squad to Quell Solomons Riots," *Financial Review*, April 20, 2006.

## Australia and the War Against Terror

On October 12, 2002, two bombs decimated two crowded nightclubs full of foreign tourists in Bali, Indonesia, killing more than 200 foreigners and Indonesians and injuring over 300. There were 88 Australians among the dead and seven Americans. Indonesian officials attributed the bombing to the militant Islamic network Jemaah Islamiya (JI), which has links to Al Qaeda. JI also carried out an attack against the Australian Embassy in Jakarta in September 2004 and a second attack in Bali in October 2005. Some within JI have set as their goal the establishment of an Islamic state that encompasses Indonesia, Malaysia, the Southern Philippines, and Northern Australia. Australian and Indonesian counterterrorism cooperation has improved as a result of cooperation on the investigation into the Bali blasts. Australia has signed anti-terrorism pacts with a number of its Southeast Asian neighbors. It also provides counterterrorism support to the Pacific Island Forum Secretariat.<sup>91</sup> Australia's policy of preemptive strike against terrorist bases operating in other nations has evoked strong negative reactions from regional states.<sup>92</sup> (For further discussion of Australia's role in the war against terror, see CRS Report RL31672, *Terrorism in Southeast Asia*, Bruce Vaughn, Coordinator.)

**Counterterrorism and Iraq Cooperation.** Australia continues to be a valuable U.S. ally in the war against terror. The Australian Defence Force (ADF) contribution to the international coalition against terrorism, known as *Operation Slipper*, includes a Special Forces Task Group with Special Air Service (SAS) units and logistical support deployed to Afghanistan.<sup>93</sup> *Operation Catalyst* refers to the ADF's contribution to the rehabilitation and reconstruction of Iraq and includes over 1,300 personnel.<sup>94</sup> Australian Defence Minister Brendan Nelson stated in 2006 that Australian troops will remain in southern Iraq well into 2007. Australian troops have been training the Iraqi Army's second brigade and providing security for Japanese engineers assisting with reconstruction.<sup>95</sup> In a 2006 poll, 58% of Australians believe that going to Iraq was not in Australia's interest.<sup>96</sup> Many view the deployment as part of Australia's alliance commitment to the United States as well as part of Australia's effort in the war against terror. The Australian Government also recently announced that they will be augmenting their troop strength in Afghanistan as part of a regional reconstruction task force. While the opposition Labor Party supports the effort in Afghanistan, it has been less enthusiastic over participation in operations in Iraq. Former leader of the Labor Party Mark Latham had called for the withdrawal of

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<sup>91</sup> Minister for Foreign Affairs Downer, "Counter-Terrorism Package," March 7, 2003.

<sup>92</sup> Allan Patience, "Australia and Regional Security," *PNG Post Courier*, September 27, 2004.

<sup>93</sup> "Operation Slipper," Australian Government, Department of Defence, [<http://www.defence.gov.au>].

<sup>94</sup> "Operation Catalyst," Australian Government, Department of Defence, [<http://www.defence.gov.au>].

<sup>95</sup> P. Walters, "Troops to Stay in Iraq," *The Australian*, March 7, 2006.

<sup>96</sup> "Australia: Ten Years, and Still Planning to Go On," *The Economist*, March 11, 2006.

Australian forces from Iraq.<sup>97</sup> Some Australian analysts view Australia's commitment to support the United States outside the Asia-Pacific as counter to Australia's long term interests.<sup>98</sup>

The United States and Australia recently strengthened their nuclear security partnership to safeguard radiological materials and respond to emergencies in Southeast Asia to prevent terrorists from obtaining material to make a "dirty" bomb.<sup>99</sup> Australia also continues to be active in the area of enhancing maritime security.<sup>100</sup> Australia recently announced that it will supply the Philippines with 30 small river craft to assist the Philippines in tracking down Jemaah Islamiya terrorists thought to be hiding in Southern Mindanao.<sup>101</sup>

## **Treaty of Amity and Cooperation and East Asian Summit**

The rising geopolitical weight of China appears to be drawing Australia to it along with other nations in Asia. Australia, which has in the past been viewed by some as America's "Deputy Sheriff" in the region, signed the Treaty of Amity and Cooperation which enabled it to participate in the East Asian Summit (EAS) in Malaysia in December 2005. The EAS is a new grouping that includes the 10 ASEAN states plus China, Japan, and South Korea (known as the "plus three" states) and Australia, New Zealand, and India. When a similar grouping was previously proposed as the East Asian Economic Caucus (EAEC) by former Malaysian Prime Minister Mahathir, the United States was reportedly able to thwart the concept and instead champion the Asia Pacific Economic Cooperation (APEC) grouping with Australia.

The Howard Government had opposed signing the Treaty of Amity and Cooperation in the past but reportedly signed the treaty to be included in the regional grouping. Australia had not wanted to sign the treaty, which binds members to a policy of non-interference and non-aggression, because of concerns that it might interfere with Australia's ANZUS commitments or Australia's policy of preemption against terrorist attack.<sup>102</sup> The Howard Government supported the United States' policy of preemption and has since the Bali bombing reserved the right to act

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<sup>97</sup> Greg Sheridan, "New Pledge Shows We are There for the Long Haul," *The Australian*, February 22, 2006.

<sup>98</sup> Geoffrey Barker, "US Alliance Overlooks Asia," *The Australian Financial Review*, February 13, 2006.

<sup>99</sup> "Australia, U.S. Strengthen Nuclear Security Partnership," National Nuclear Security Administration, [<http://www.nnsa.doe.gov>].

<sup>100</sup> "Maritime Security Deal Signed," *The Australian*, March 8, 2006.

<sup>101</sup> Patrick Walters, "Australian Boats to Flush Out JI Camps in Mindanao," *The Australian*, March 14, 2006.

<sup>102</sup> Tim Johnson, "Ultimatum to Australia Over Summit," *Financial Times*, April 13, 2005 and Marian Wilkinson, "Invitation off Limits Until Howard Comes to the Party on Treaty," *Sydney Morning Herald*, April 9, 2005.

preemptively to neutralize terrorist threats to Australia.<sup>103</sup> The EAS concept had appeared likely to make China the central player of the group while marginalizing the United States, which has not been invited to participate. The inclusion of Australia, New Zealand, and India appears to have been the result of some ASEAN states' preference for more expansive membership to in part balance the influence of China.

## Trilateral Security

The United States, Japan, and Australia initiated a trilateral security dialogue in 2002. China, the Korean Peninsula, and the war against terror all provide an impetus for security collaboration between these three partners.<sup>104</sup> In May 2005, Secretary of State Rice stated that the dialogue would “intensify” and be elevated to the Ministerial level and would discuss a broad range of regional and global security issues.<sup>105</sup> The announcement came a short time after a series of anti-Japanese demonstrations in China marked a deterioration in the bilateral relationship between Japan and China. The announcement also came soon after Australia had sent a contingent of 450 soldiers to Iraq to protect a group of Japanese engineers based in southern Iraq. Prime Minister Howard stated that “working alongside and in partnership with a close regional ally and partner such as Japan is very important from Australia’s point of view.”<sup>106</sup> Commentary has speculated that the deployment had as much to do with bolstering ties with Japan as it does with Iraq.<sup>107</sup>

At the time of the announcement of the elevated trilateral security dialogue there was much speculation that China was to be the central focus of the dialogue. It was reported that “a resurgent China and recalcitrant North Korea” were key issues to be discussed.<sup>108</sup> Nuclear weapons proliferation is also thought to be part of the group’s agenda.<sup>109</sup> It was also reported that the move could “revive Chinese concerns about containment by potential strategic competitors.” Australia, the United States, Japan, and India formed a core group during the relief effort in the wake of the December 26, 2005 tsunami relief effort. One interpretation of the reason why Australia and Japan would wish to upgrade the trilateral security dialogue is that there is uncertainty over whether China’s rise will generate a more prosperous and stable East

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<sup>103</sup> Anthony Smith, “Still Great Mates: Australia and the United States,” *Asian Affairs*, Summer, 2003.

<sup>104</sup> A. Searle and I. Kamae, “Anchoring Trilateralism: Can Australia-Japan-US Security Relations Work,” *Australian Journal of International Affairs*, December, 2004.

<sup>105</sup> “US Security Talks with Australia, Japan to Intensify,” *US Fed News*, May 4, 2005.

<sup>106</sup> Prime Minister Howard as quoted in “Australia Commits More Troops in Iraq to Safeguard Japanese Forces,” *Radio Australia* transcript, February 22, 2005.

<sup>107</sup> Dan Blumenthal, “Strengthening the U.S.-Australian Alliance: Progress and Pitfalls,” *American Enterprise Institute*, April/May, 2005.

<sup>108</sup> Geoff Elliott, “China and North Korea Focus of New US Security Talks,” *The Australian*, May 6, 2005.

<sup>109</sup> “Rice Downer Agree on trilateral Strategic Talks with Japan,” *Asian Political News*, May 9, 2005.

Asia or whether it will seek to use East Asian regionalism to exclude the United States, which neither Australia nor Japan would wish to see.<sup>110</sup>

**Figure 1. Map of Australia**



Source: Map Resources. Adapted by CRS. (K.Yancey 7/5/05).

<sup>110</sup> “Three Against One,” *South China Morning Post*, May 11, 2005.