



Australia: Background and U.S. Relations

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Summary

The Commonwealth of Australia and the United States enjoy a very close alliance relationship. Australia shares many cultural traditions and values with the United States and has been a treaty ally since the signing of the Australia-New Zealand-United States (ANZUS) Treaty in 1951. 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. President Obama traveled to Australia in November 2011 to reaffirm and extend the bilateral ANZUS alliance. During his visit, upgrades to the alliance, including the stationing of U.S. Marines in northern Australia and increased rotations of U.S. Air Force planes, were announced by President Obama and Labor Party Prime Minister Julia Gillard. This marks a significant reaffirmation of the alliance at a time of shifting geopolitical dynamics in the Asia-Pacific Region and is viewed by many as a key component of the Obama Administration's "Pacific Pivot" or strategic rebalancing.

All recent Prime Ministers of Australia, including Prime Ministers Julia Gillard, Kevin Rudd, and John Howard, have reaffirmed Australia's traditional view that the United States is a key source of stability in the Asia-Pacific region and remains Australia's key ally and strategic partner. This view is also shared by opposition leader Tony Abbott of the right of centre Liberal Party. Prime Minister Julia Gillard became Prime Minister after an internal Labor Party struggle. Former Prime Minister Rudd has remained in the government as Gillard's Foreign Minister. Prime Minister Gillard narrowly secured a second term as Prime Minister in August 2010 over the right of centre Liberal-National Coalition.

Under the former Liberal government of John Howard, Australia invoked the ANZUS treaty to offer assistance to the United States after the attacks of September 11, 2001, in which 22 Australians were among those killed. Australia was one of the first countries to commit troops to U.S. military operations in Afghanistan and Iraq. Terrorist attacks on Australians in Indonesia also led Australia to share many of the United States' concerns in the struggle against Islamist militancy in Southeast Asia and beyond. The United States and the previous Howard Government signed a bilateral Free Trade Agreement (FTA) and negotiated a Treaty on Defense Trade Cooperation.

Australia plays a key role in promoting regional stability in Southeast Asia and the Southwest Pacific and supports international efforts to promote stability in Afghanistan. Australia has led peacekeeping efforts in the Asia-Pacific region, including East Timor and the Solomon Islands, and has supported U.S. efforts and worked closely with key regional states in the war against terrorism in Southeast Asia. These actions demonstrate Australia's resolve to promote stability in Southeast Asia, the South Pacific, and beyond.

The Australian economy has done relatively well as compared to other developed economies in recent years. GDP growth is expected to rise from 2.8% in 2012 to an annual rate of 3% for the period from 2013 to 2016. Australia is also expected to balance its budget in fiscal year 2012/13 (July-June). Australia's Senate passed a carbon tax which the opposition has pledged to repeal if it wins the next elections expected in 2013. Australia is also working with the United States to craft the Trans Pacific Partnership (TPP) agreement to promote trade and investment liberalization in the Asia-Pacific region.

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Recent Events

The Obama Visit

President Obama's visit to Australia on November 16 and 17, 2011, marked a significant expansion of an already strong tradition of military cooperation between the United States and Australia. The United States enjoys very robust bilateral strategic, intelligence, cultural, trade, and investment relations with Australia. Australia has embarked on a major defense buildup as a response to uncertainties in the evolving geopolitical dynamics of the Asia-Pacific region.¹ President Obama's visit took place after the Asia Pacific Economic Cooperation (APEC) meeting in Hawaii and immediately before the East Asia Summit (EAS) meeting in Bali, Indonesia. Taken together, these events sent a clear signal to Australia and the region that the United States has made a strategic decision to shift strategic focus onto the Asia-Pacific region. Australia continues to seek to keep the United States engaged in the Asia-Pacific, as it sees the United States as a stabilizing influence in the region. Two previously planned trips to Australia by the President had to be canceled due to the health care debate in Washington and the oil spill in the Gulf of Mexico.

President Obama addressed a special sitting of Parliament on November 17 in Canberra before making a brief stop in Darwin, Australia, on the way to Bali. This important speech clearly set out America's strategic commitment to the Asia-Pacific region and reaffirmed the bonds of solidarity between the United States and Australia.² During an earlier visit to the United States in March 2011, Prime Minister Gillard addressed a joint session of the U.S. Congress and stated, "You have a friend in Australia. An ally for war and peace ... our values are shared and our people are friends. This is the heart of our alliance."³ Australian Opposition Leader Tony Abbott welcomed the Obama visit and stated, "America is Australia's greatest friend and strongest ally, the President of the U.S. will always be most welcome and our most honored guest." This visit also marked the 60th anniversary of the ANZUS alliance.⁴ There is widespread political support for the alliance in Australia.

During his visit to Australia, President Obama and Prime Minister Gillard announced that the United States will deploy on a rotational basis up to 2,500 Marines, which are part of a Marine-Air Ground Task Force, to the Northern Territory and that there will be additional joint air force cooperation between the two nations. These moves are part of new force posture initiatives that will significantly enhance defense cooperation between the two nations and will also include the prepositioning of equipment and supplies.⁵ The U.S. forces will be housed in Australian facilities and are part of a U.S. effort to diversify the U.S. military presence in Asia.⁶ It was announced that the deployments would begin in the summer of 2012 with an initial group of 250 Marines. The

¹ Edna Curran, "Australian Defence Minister Says Worried by F-35 Delays," *Dow Jones Newswire*, October 16, 2011 and Nigel Pittaway, "Analysts Cautiously Optimistic About Australian Defense Reforms," *Defense News*, July 18, 2011.

² "Remarks by President Obama to the Australian Parliament," Parliament House, Canberra, Australia, November 17, 2011, Office of the Press secretary, The White House.

³ "Australian Prime Minister Julia Gillard: 'There is a Reason America,'" *Los Angeles Times*, March 10, 2011.

⁴ Catherine Hockley, "It's Third Time Lucky as Obama Ready to Visit," *The Advertiser*, October 14, 2011.

⁵ Prime Minister, president of the United States, "Australia-United States Force Posture Initiatives," Office of the Prime Minister of Australia, November 16, 2011.

⁶ David Nakamura, "U.S. Troops Headed to Australia, Irking China," *The Washington Post*, November 16, 2011.

announcement of the decision to expand the U.S. troop presence in Australia came after Secretary of State Hillary Clinton's "America's Pacific Century" article in *Foreign Policy* and has been viewed by many as providing a substantive military component to a policy that was designed to send a signal to Asia that the United States is firmly committed to the region. As such, expanded military ties with Australia can be viewed as a key component that will demonstrate America's resolve in Asia. The Obama Administration's decision to rebalance American strategic priorities from the Middle East to Asia coincides with Australian strategic priorities that seek to keep America fully engaged in Asia.

The ANZUS Alliance

The Commonwealth of Australia and the United States have been treaty allies since the signing of the tri-lateral Australia-New Zealand-United States (ANZUS) Treaty in San Francisco in 1951. In the mid-1980s, this became a de-facto bilateral alliance with Australia, as New Zealand was largely excluded due to its anti-nuclear policies. Since that time, the Australia-U.S. Ministerial (AUSMIN) process has become a key component of the bilateral strategic and defense relationship between Australia and the United States. The two nations also share a very deep and broad-based intelligence relationship.⁷ The U.S.-Australia joint defense facilities aid in intelligence collection, ballistic missile early warning, submarine communications, and satellite-based communications.⁸ Formal consultations include policy planning, political-military, and mil-mil talks.⁹ The Wellington Declaration of 2010 signaled that the United States and New Zealand have overcome past differences. The declaration establishes a new strategic partnership and provides for enhanced cooperation in a range of areas including enhanced military cooperation.¹⁰ Australia and New Zealand continue to have close bilateral defense ties. Australia has been a strong partner in the global war against terror and its citizens have been the victims of several terrorist attacks, as noted above. As a result, Australia shares the U.S. perspective in the struggle against violent anti-Western Islamist extremists. Australia has seen significant benefits from the economic rise of China, but like the United States has some concerns about China's growing strategic posture.¹¹

Of the 3,300 Australian Defence Force Personnel deployed abroad at present, approximately 1,550 are deployed in Afghanistan as part of Australia's *Operation Slipper*, while an additional 800 are deployed elsewhere in the Middle East.¹² Australia has been one of the larger contributors to international efforts to stabilize Afghanistan.¹³

⁷ H.E. The Hon. Kim Beazley, Australian Ambassador to the United States, "On ANZUS turning 60," 2011 ANZAC Lecture, Georgetown University, April 20 2011.

⁸ *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper 2009, Australian Government, Department of Defence, <http://www.defence.gov.au>.

⁹ "The Australia-U.S. Alliance," Department of Foreign Affairs and Trade, Government of Australia, <http://www.dfat.gov.au>

¹⁰ "US, New Zealand Sign Pact Ending 25-Year Rift," *Voice of America*, November 4, 2011.

¹¹ *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper 2009, Australian Government, Department of Defence, <http://www.defence.gov.au>

¹² Global Operations – Department of Defence, <http://www.defence.gov.au/op/index.htm>

¹³ "The Australian Government is committed to international efforts to stabilise Afghanistan and to seek to ensure that international terrorist groups are denied safe haven there. As a part of the UN-mandated International Security Assistance Force (ISAF), Australia is working closely with NATO and other partners to assist the Afghan Government to create the conditions necessary for enduring stability and prosperity. Currently, Australia is the largest non-NATO (continued...)"

Three Australian soldiers were killed and several others wounded on October 29, 2011, when a member of the Afghan National Army opened fire during a routine military parade in Kandahar. This brought the number of Australians killed in Afghanistan to approximately 35, with an additional 209 wounded.¹⁴ Australian Special Air Service Regiment troops have been a key part of Australia's contribution to allied efforts in Afghanistan.

The September 15, 2011, meeting in San Francisco of the Australia-U.S. Ministerial group marked the 60th anniversary of the ANZUS alliance at the same location where the treaty was signed. U.S. Defense Secretary Leon Panetta stated, "The goal here is to strengthen that relationship as best we can to send a clear signal to the Asia-Pacific region that the U.S. and Australia are going to work together to make very clear to those that would threaten us that we are going to stick together." The 2011 AUSMIN meeting included a Joint Statement on Cyberspace that takes the view that "in the event of a cyber attack that threatens the territorial integrity, political independence or security of either of our nations, Australia and the United States would consult together and determine appropriate options to address the threat."¹⁵

At the November 2010 AUSMIN meeting, an agreement was reached to set up a Force Posture Working Group to examine "options for enhanced joint defence cooperation on Australian soil" including "more U.S. force training ... more port visits, disaster relief cooperation and a greater U.S. regional naval presence." The announcement by President Obama and Prime Minister Gillard on further military cooperation appear to stem from this work. A recent Lowy Institute poll of Australian public opinion found that 55% of Australians favor allowing the United States to base military forces in Australia.¹⁶

Australia and the United States signed a Defense Trade Cooperation Treaty in 2007. In September 2010, the U.S. Senate ratified the treaty. Approximately 50% of Australia's war fighting assets are sourced from the United States.¹⁷ Australia has initiated a review of its F-35 purchase over concerns that the first group of planes will not be delivered on time. Australia has a requirement for up to 100 F-35As and plans to sign a deal on the first tranche of 14 planes in 2012. Australia reportedly wanted to take delivery of the first two F-35 planes in 2014 to begin training.¹⁸

(...continued)

troop contributor to ISAF, and the 10th largest contributor overall. Australia's substantial military, civilian and development assistance to Afghanistan focuses on: training and mentoring the Afghan National Army (ANA) 4th Brigade in Uruzgan Province to assume responsibility for the province's security; building the capacity of the Afghan National Police to assist with civil policing functions in Uruzgan; and helping improve the Afghan Government's capacity to deliver core services and generate income-earning opportunities for its people. Australia's military deployment is maintained at around 1550 personnel." From "Afghanistan Country Brief," Australian Government, Department of Foreign Affairs and Trade, <http://www.dfat.gov.au>

¹⁴ "Afghanistan," Australian Department of Defence, <http://www.defence.gov.au/op/afghanistan/info/personnel.htm>

¹⁵ U.S. Department of State, "U.S.-Australia Ministerial Consultations 2011 Joint Statement on Cyberspace," September 15, 2011.

¹⁶ Fergus Hanson, "2011 Lowy Institute Poll," <http://www.lowyinterpreter.org>

¹⁷ "Australia-United States Defence Trade Cooperation Treaty: Fact Sheet," AUSMIN 2010.

¹⁸ Nigel Pittaway, "Australia Launches F-35 Review," *Defense News*, October 31st, 2011.

Australia and the Shifting Correlates of Power in Asia

Uncertainties over the shifting correlates of power in Asia have led recent governments in Australia to embark on the country's biggest military expansion since World War II. Australia has plans to spend US \$278.3 billion over the next 20 years to update its military equipment. This will include new submarines, frigates, air warfare destroyers, amphibious ships, new helicopters, offshore combatant vessels, and F-35 aircraft.¹⁹ China's developing ability to project military power in the coming decades, signaled by the launch of its first aircraft carrier earlier this year, and concerns in some quarters in Australia that America may retreat from its engagement in Asia, are likely factors contributing to this defense buildup in Australia. Given the rapid rise and importance of Australian trade with China, some in Australia worry that over the long term Australia's predominant strategic and economic partnerships, with the United States and China respectively, may become increasingly difficult to balance.²⁰

It has been reported that Kevin Rudd told Secretary of State Clinton during a March 2009 meeting that the shared strategic goal of the United States and Australia should be to integrate China into the world system, but that the United States should be prepared to use force against China if plans fail. At the meeting, Rudd also reportedly described himself as a brutal realist with regard to China and stated that Australian intelligence agencies were closely watching China's military expansion. He also reportedly indicated that Australia's naval buildup, including plans to add additional attack submarines, was "a response to China's growing ability to project force."²¹

¹⁹ Enda Curran, "Australia's Defence Minister Says Worried by F-35 Delays," *Dow Jones Newswire*, October 18, 2011.

²⁰ Hugh White, "Power Shift: Australia's Future Between Washington and Beijing," *Quarterly Essay*, #39, 2010.

²¹ Daniel Flitton, *The Age*, December 6, 2010.

Background on Australia

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, Aboriginal and Torres Strait Islanders people account for up to 2.5% of Australia's total population.²² While the Aboriginal population were hunter-gatherers, they developed a complex "Dreamtime" culture, a spiritual culture focusing on creation myths, rituals, laws, and 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 of 1851.

Although the majority of Australians have British or Irish ancestry, Australia's immigrants also came from elsewhere in Europe, particularly after World War II.²³ Today, Australian immigration is increasingly from Asia, with Asians accounting for approximately 7% 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 11% living in rural areas. Australia is slightly smaller than the contiguous lower 48 United States and has a population of approximately 22 million.

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.²⁴

Australia at a Glance

Government: Parliamentary democracy and federal state system
Leadership: Prime Minister Julia Gillard
Head of State: Queen Elizabeth II, who appoints a Governor-General on the advice of the Prime Minister.
Political Parties: Labor, Liberal, National, Greens.
Area: About the size of the lower 48 U.S. states
Capital: Canberra, population 384,000
Population: 22 million
Population growth rate: 1.2%
Urbanization: 89%
Literacy: 99%
Life expectancy at birth: 81.81 years
Health Expenditure: 8.5% of GDP
Ethnic groups: Caucasian 92%, Asian 7%, aboriginal and other 1% to 2.5%
Foreign-born population: 25%
Natural resources: Bauxite, coal, iron ore, copper, tin, gold, silver, uranium, nickel, tungsten, mineral sands, lead, zinc, diamonds, natural gas, petroleum.
Land use: arable 6.15%,
GDP growth: 2.8%
GDP composition by sector: Agriculture 3.9%, industry 25.5%, services 70.6%
Labor force: agriculture 3.6%, industry 21.1%, services 75%.
GDP per capita ppp: \$41,000
Inflation: 2.8%
Unemployment: 5.2%
Exchange rate: Roughly even with the US Dollar.
Sources: Australian Bureau of Statistics, CIA *World Factbook*, State Department Background Notes, Economist Intelligence Unit

²² Estimates vary from about 1% to 2.5%.

²³ In 1947, 89.7% of Australia's population was Anglo-Celtic. By 1988 this had dropped to 74.6%. Department of Immigration and Citizenship, "National Agenda for a Multi-cultural Australia," <http://www.immi.gov>.

²⁴ 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).

Government Structure and Domestic Politics

Australia is an independent nation within the British Commonwealth. The Head of State is the ruling monarch of the United Kingdom, who is represented by the Governor General. In practice, power is held by the Prime Minister and Cabinet, who are elected members of Parliament. Parliamentary elections are called by the government, but must be held at least once every three years. The Liberal-National Party coalition and the Labor Party are the two main political forces in Australia.²⁵ There is a growing republican movement in Australia that supports breaking with the British Crown.

The Gillard Government's generally narrow margin over the opposition Liberal-National Coalition has meant that it must retain the support of independent and Green Party supporters to rule. The next general election is due in 2013, though the narrow margin of government support in parliament and the Labor Party's dependence on independents and the Green party MP in the lower house could make an early election more likely should the government encounter political difficulties.

Government Structure

Australia is divided into several administrative divisions. There are six states and two territories. The states are: New South Wales, Queensland, Victoria, South Australia, West Australia, and Tasmania. The territories are the Australian Capital Territory and the Northern Territory. There are also a number of dependent islands including Christmas Island, Norfolk Island, and the Cocos Islands. All citizens 18 years of age and older must vote. The head of state is Queen Elizabeth II, who is represented by the Governor General in Australia, Quentin Bryce.

Australia has a bicameral parliament consisting of the House of Representatives and the Senate. The House has 150 Representatives, who are elected through a preferential ballot. The Senate has 76 seats, with 12 senators from each of the six states and two senators from each of the two territories. One half of the state senators are elected every three years and territory senators are elected every three years. Although the government must call elections every three years, it may call early elections. A double dissolution, where all members of both legislative bodies must stand for election, may be called if government legislation is blocked twice in three months.

The Gillard Government

Prime Minister Julia Gillard has continued Australia's tradition of close relations with the United States. Gillard addressed a Joint Session of Congress during her visit to Washington in February 2011. In her address, Gillard highlighted the strong bonds between the two nations. Gillard also recalled the crucial role that the United States played in stopping the Japanese advance towards Australia in World War II at the Battle of the Coral Sea and added that "Australia does not forget."²⁶ Prime Minister Gillard's predecessor, former Prime Minister and current Foreign Minister Kevin Rudd, also of the Labor Party, also reaffirmed Australia's traditional view that the

²⁵ U.S. Department of State, "Background Note: Australia," December, 2004, and Central Intelligence Agency, "World Factbook, Australia," June, 2005.

²⁶ "Australia's Prime minister Julia Gillard: There is a Reason America," *Los Angeles Times*, March 10, 2011.

United States is a key source of stability in the Asia-Pacific region and remains Australia's key ally.²⁷ Labor Party political rivals Gillard and Rudd appear to have put their differences aside, at least for the present.²⁸

The Former Rudd Government

On November 24, 2007, Kevin Rudd was elected prime minister, ending Prime Minister John Howard's term in office that began in March 1996. Rudd's electoral victory over Howard, who lost his own parliamentary seat representing Bennelong, marked a significant shift away from the Liberal Party-dominated government that had ruled Australia since 1996.²⁹ As Prime Minister, Rudd reaffirmed Australia's and the Labor Party's commitment to its alliance relationship with the United States. Rudd moved to draw down Australian military forces in Iraq while keeping Australian troops in Afghanistan. The fact that Rudd chose to visit the United States on his first visit abroad as the opposition leader, prior to becoming prime minister, signaled that he views the U.S. strategic alliance to be of central importance to Australia. Rudd has taken an active role in foreign policy, particularly with China, given his former career in the Department of Foreign Affairs and Trade.

Defense Policy and Security Ties

Defense Policy

The Gillard Government's decision to take the defense relationship with the United States to a new level builds on previous Australian government's close relationships with the United States and is seen by some as "a decisive answer to the strategic question posed by the rise of China."³⁰ The Australian Defence White Paper of 2009 stated:

China will also be the strongest Asian military power, by a considerable margin. Its military modernisation will be increasingly characterised by the development of power projection capabilities. A major power of China's stature can be expected to develop a globally significant military capability befitting its size. But the pace, scope and structure of China's military modernisation have the potential to give its neighbours cause for concern if not carefully explained, and if China does not reach out to others to build confidence regarding its military plans.³¹

Australia did much to augment its defense capabilities under former Prime Minister Howard's leadership, including a 47% real increase in defense spending under his watch.³² Howard committed his government to a 3% annual real increase in defense spending out to the year 2016. Former Prime Minister Rudd similarly pledged support for robust defense expenditures. A

²⁷ "Country Report: Australia," *The Economist*, October, 2011.

²⁸ Laurie Oaks, "Gillard, Rudd Put Differences Aside," *Daily Telegraph*, October 29th, 2011.

²⁹ "Country Report Australia," *The Economist Intelligence Unit*, July 2008.

³⁰ Paul Kelly, "Deeper US Alliance in Response to Strident China," *The Australian*, November 10, 2010.

³¹ *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper 2009, Australian Government, Department of Defence, <http://www.defence.gov.au>

³² The Honorable Brendan Nelson, Minister for Defense, "Defence Update 2007 - Protecting Our People, Interests, and Values," July 5, 2007.

commitment to fund a strong defense posture has been continued by Prime Minister Gillard. Keeping the United States engaged in Asia has been a key foreign policy objective of Australia and one that continues to enjoy broad political support.

There has been a long standing debate in Australian defense planning circles over the relative emphasis on continental defense of Australia and the need to configure Australian forces to integrate with key allies in expeditionary operations—traditionally with Great Britain and, since the end of World War II, the United States. Despite this debate, there has been much continuity in practice, especially with regard to support for Australia’s commitments to the United States.

While the ANZUS alliance and the broad bilateral relationship have consistently enjoyed bilateral support across the political spectrum in both countries, relations between all political elites across the political spectrum have not always been close. The former leader of the then opposition Labor Party, Mark Latham, was criticized by the former Howard Government in the lead-up to the 2004 election for describing President Bush in unfavorable terms and for his intent to withdraw Australian troops from Iraq if elected. In response to 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.”³³ Many on the left of the Labor party also opposed a free trade agreement (FTA) with the United States.³⁴ The exchange between Latham and Bush made the ANZUS alliance an election issue in Australia in 2004. Former Deputy Secretary of State Richard 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.

Security Ties

While rivalry between the Wallabies and the All Blacks remains intense on the rugby pitch, Australia and New Zealand continue their tradition of closely working together in the area of security. A core identity of the Australian military and broader Australian culture is the ANZAC legend. ANZAC refers to the Australia New Zealand Army Corp that fought together in World War I in places such as Gallipoli. The ANZAC experience at Gallipoli was central in helping Australia define its national identity independent of its status as part of the British Empire. Australia-New Zealand defense relations were formalized through the 1944 Canberra Pact and the 1951 ANZUS Treaty. Australia and New Zealand are also linked through the 1971 Five Power Defence Arrangements (FPDA), which also includes Great Britain, Malaysia and Singapore. The FPDA, which was established in the context of Britain’s plans to withdraw forces from east of the Suez, has, in the view of some, proven to be surprisingly durable. Large-scale exercises were held by member states to mark the 40th anniversary of the Arrangements.³⁵ The 1991 Closer Defence Relations (CDR) Agreement, which was revised in 2003, serves as a framework for bilateral defense ties between Australia and New Zealand.³⁶ Australian and New Zealand military forces continue to work together to promote regional stability in places such as Timor-Leste and The Solomon Islands.

³³ “Australia: Friendly Fire,” *Far Eastern Economic Review*, July 15, 2004.

³⁴ Mark Davis, “Latham Faces Party Showdown on FTA,” *Financial Review*, July 21, 2005.

³⁵ “Banyan: Echoes of Dreamland,” *The Economist*, November 5, 2011.

³⁶ “New Zealand Country brief,” Department of Foreign Affairs and Trade, November, 2008.

Australia and Japan have been developing bilateral security relations under the Australia-Japan Joint Declaration on Security Cooperation (JDSC) signed in 2007 under the Howard Government. The JDSC offers the potential for security cooperation in the areas of border security; counter-terrorism; disarmament and counter proliferation of weapons of mass destruction; maritime and aviation security; peace operations and humanitarian relief operations.³⁷ 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.

Australian External Affairs

Foreign Policy Orientation

Australian foreign policy has always been closely aligned with the West, especially with the United Kingdom and since World War II with the United States. That said, Australia's interest in developing relations with Asian states has grown steadily since World War II. These developed first with Japan and Southeast Asia and then increasingly with China and India. Australia's special relationship with Papua New Guinea and the Pacific Island states of the South Pacific has led to deep involvement by Australia with these countries and regional institutions such as the Pacific Islands Forum. Australia's geographic proximity to Indonesia has also meant that Indonesia and other ASEAN states are of great interest and importance to Australia.

In September 2011, the Gillard Government commissioned a new foreign policy White Paper, "Australia in the Asian Century." The White Paper is to "provide a blueprint for Australia at a time of transformative economic growth and change in Asia" and is to identify "opportunities for deepening our engagement with Asia across the board." The White paper is also to assess the "political and strategic implications of the Asian Century for Australia; and the role of effective economic and political regional and global cooperation."³⁸

Relations with the United States

The United States–Australia bilateral defense and alliance relationship is one that has remained strong even as it has evolved through several different strategic contexts over the past 100 years or so. The United States and Australia both committed troops to suppress the Boxer Rebellion in China (1900-1901). In 1908, President Theodore Roosevelt's Great White Fleet was welcomed in Australia, which was concerned with Japanese naval power after Japan defeated the Russian navy in The Battle of Tsushima in 1905. The defense relationship experienced its first real baptism of fire when the two nations fought together on the Western Front in World War I, where U.S. troops fought under Australian General Monash at the Battle of Hamel. They also fought together in World War II in the South Pacific theatre of operations and beyond, and again in the Korean War in battles such as Kapyong. The 1951 ANZUS Treaty was signed at a time when Australia was concerned about a resurgent Japan and the United States was increasingly concerned with the growing power of the Soviet Union. The two nations came to share common concern during the Cold War, which saw Australian troops fighting alongside U.S. forces in Vietnam, and the two

³⁷ "Japan Country Brief," Department of Foreign Affairs and Trade, May 15, 2009.

³⁸ Office of the Prime Minister, "Australia in the Asian Century," September 28, 2011.

nations worked together to promote stability in the Post Cold War Era in places like Somalia. The advent of the “War Against Terror” also drew the two nations together. Former Prime Minister John Howard evoked the ANZUS alliance to come to the assistance of the United States and he sent Australian troops to serve alongside American troops in Iraq and Afghanistan.

Secretary of State Clinton signaled, in her 2011 article “America’s Pacific Century,” that the United States is at a pivot point and must make the Asia-Pacific a real priority. To implement this agenda and invest in the future of the Pacific, Clinton identified six “key lines of action: (1) strengthening bilateral security alliances; (2) deepening our working relationships with emerging powers, including with China; (3) engaging with regional multilateral institutions; (4) expanding trade and investment; (5) forging a broad-based military presence; and (6) advancing democracy and human rights.” Australia figures prominently in most of these contexts. Clinton wrote that “We are also expanding our alliance with Australia from a Pacific partnership to an Indo-Pacific one, and indeed a global partnership ... Australia’s counsel and commitment have been indispensable.”³⁹

Australia, along with the United Kingdom, has enjoyed a special trusted place in American strategic, defense, and intelligence circles particularly under the close relationship between former President Bush and former Prime Minister John Howard. One American strategic analyst, Michael O’Hanlon, has described Australia as “tough enough to be of help in virtually any war, smart enough to be worth consulting on any big issue from the Middle East to the Korean Peninsula, and (with apologies) small enough that at the end of the day they also accept the role of being an important yet clearly junior alliance partner.”⁴⁰ O’Hanlon also points to the value of Australia’s support in providing the U.S. multilateral and internationalist “cover” as well as being a “trusted confidant” and being part of a nucleus ready to build a new world order.

The political alignment of both the United States and Australia has enhanced continued close relations between the two countries. Australian voters moved their government to the left by electing Kevin Rudd of the Labor Party just prior to the American electorate’s shift to the left by electing President Obama. Prime Minister Gillard is also from the left of centre Labor Party. Prime Minister Rudd stated that it was “American leadership from President Obama” that was the key to “bringing the world back from the brink” of a great depression in March of 2009.⁴¹ The popularity of President Obama with the Australian public has facilitated ties between the two nations. In one poll, 67% of Australians favored candidate Obama over candidate John McCain.⁴² Another poll reportedly had Australians supporting an Obama electoral victory by a margin of nearly five to one.⁴³

The close relationship between the two countries is demonstrated by the close people-to-people ties between the two nations and is highlighted by the affection that Americans have for Australian performers, artists and authors. The huge success of Australian actors and actresses in America dates back to Erol Flynn and more recently is demonstrated by Nicole Kidman, Russell

³⁹ Secretary of State Hillary Clinton, “America’s Pacific Century,” *Foreign Policy*, November 2011.

⁴⁰ Michael O’Hanlon and Michael Fullilove, “Barack Obama, Kevin Rudd and the Alliance: American and Australian Perspectives,” *Lowy Institute*, August 2009.

⁴¹ E.J. Dione, “Why We Didn’t Crash,” *The Washington Post*, August 24, 2009.

⁴² “All Countries in BBC Poll Prefer Obama,” *BBC News*, September 9, 2008.

⁴³ Michael Fullilove, “Barack Obama, Kevin Rudd and the Alliance: American and Australian Perspectives,” *Lowy Institute*, August 2009.

Crowe, Cate Blanchett, Geoffrey Rush, Eric Bana, Hugh Jackman, and Heath Ledger. Australian musicians and performers such as AC/DC, Midnight Oil, INXS, Kylie Minogue, John Williams, and Dame Joan Sutherland are also much loved in America, as are Australian authors such as Thomas Keneally, Jill Ker Conway, Peter Carey, Robert Hughes, Germaine Greer, and Patrick White.

Asia-Pacific Affairs

Australia's Identity and Asia

Australia's identity as a nation is intertwined with its ongoing debate over how it should engage Asia. Former Prime Minister Howard approached the debate by making the point that Australia need not choose between its history, which is grounded in the West, and its geography, which locates Australia on the periphery of the Asia-Pacific region. Former Labor Prime Minister Paul Keating (1991-1996) moved enthusiastically to engage Asia, building on his predecessor Bob Hawke's (1983-1991) efforts that included the formation of the Asia Pacific Economic Cooperation (APEC) forum in 1989. Many in Australia viewed Keating's initiatives as going too far, reflecting the fact that many Australians' sense of identity was not grounded in an "Asian" identity.

These debates over identity are real to Australians. Although Australia is a large continent, its population of 22 million people is located relatively close to key population centers of Asia, including Indonesia (240 million), China (1.3 billion), and India (1.2 billion). Australia's isolation from its key cultural partners and strategic allies in the West has led traditionally to an existential fear of being overwhelmed by Asia. This has given way in recent years to increasing interest in Asia as it is viewed as a source of prosperity and no longer only as a potential threat. The Rudd government's February 2008 apology to the Aboriginal population of Australia demonstrates that the dominant Anglo-Celtic identity is increasingly prepared to accommodate non-white Australian identities. Increasing Asian immigration is also changing the face of Australia. Australia's shifting trade patterns continue to draw it to Asia even as it has not fully reconciled what this means for its identity.

Indonesia

Indonesia's geographic proximity and size make good relations with Jakarta a key foreign policy priority for Australia. While Australia's relationship with Indonesia has at times been troubled, as was the case as a result of Indonesian displeasure over Australia's role in Timor-Leste's independence, relations are at present positive. The strategic aspect of the relationship is defined by the 2006 Lombok Treaty as well as a Memorandum of Understanding on Combating International Terrorism.⁴⁴ In November 2007, the Indonesian Peoples Representatives Council ratified a security treaty, previously ratified by the Australian parliament, which was signed in Lombok, West Nusa Tenggara, by former Foreign Minister Alexander Downer and Foreign Minister Hassan Wirajuda. The treaty recognizes Indonesian sovereignty over West Papua.⁴⁵ Many Australians were killed in the 2002 Bali bombing carried out by the Jemaah Islamiya

⁴⁴ Hon Stephen Smith MP, Minister for Foreign Affairs, "Launch of Australian Strategic Policy Institute Strategy Report on Indonesia," May 27, 2008 Parliament House, Canberra.

⁴⁵ "Indonesian Parliament Approves Papua Sovereignty Treaty with Australia," *BBC News*, November 29, 2007.

terrorist group. The Australian Embassy in Jakarta was also bombed in 2004 and a second terrorist attack struck Bali in 2005.⁴⁶

Australia and Indonesia have experienced difficulties, as well as successes, in their bilateral relationship in recent years. Tensions over asylum granted by Australia to a number of West Papuans have been of particular concern to Indonesia. Indonesian fears over Australia's role in the Indonesian provinces on the western half of the island of Papua New Guinea can be better understood in context of the independence of East Timor, which was formerly an Indonesian province. Australia, under the United Nations, played a key role in assisting Timor-Leste to become an independent nation. The Timor-Leste intervention was viewed negatively in Indonesia and led to the end of the previous Agreement on Mutual Security between Canberra and Jakarta.⁴⁷ Australia and Indonesia resumed joint military exercises with an air force exercise held in April 2005.⁴⁸ Australia's generous post-2004 tsunami assistance also improved relations between Australia and Indonesia.

China

Bilateral relations between Australia and China are based on a strong trade relationship that has benefitted both countries. While China has figured prominently in Australia's outreach to Asia, Australian values have at times been challenged as ties have developed. Ties between the two nations were strained over the imprisonment of an Australian national and Rio Tinto executive Stern Hu on espionage charges. Hu was involved in iron ore price negotiations. China's *Xinhua* news service reported that Hu and three other Rio Tinto group employees obtained commercial secrets related to China's iron and steel industry improperly and violated Chinese law.⁴⁹ Tensions also mounted over Chinese displeasure at the visit to Australia of Rebiya Kadeer, an activist from China's Uighur minority. Chinese diplomats reportedly pressured organizers to prevent her from appearing at a film festival in Melbourne and at the National Press Club.⁵⁰ Beijing has also reportedly expressed its displeasure with Canberra over the Defence White Paper's questioning of Chinese intent behind its ongoing military modernization.⁵¹ The tensions were added to previous Chinese concerns over former Prime Minister Howard and candidate Rudd's meeting with the Dalai Lama.⁵²

Diplomatic tensions between Australia and China did not prevent Australia from signing its largest ever trade and investment deal with China in Beijing on August 18, 2009. Under the deal, China will purchase approximately A\$50 billion of liquefied natural gas (LNG) from the Gorgon project based on Barrow Island off Northwest Australia. This will be a joint venture between

⁴⁶ Department of Foreign Affairs and Trade, "Indonesia Country Brief," June 2008.

⁴⁷ Richard Woolcott, "Foreign Policy Priorities for the Howard Government's Fourth Term," *Australian Journal of International Affairs*, June, 2005.

⁴⁸ "Australia and Indonesia Hold First Military Exercise for Six Years," *Oster Dow Jones*, April 12, 2005.

⁴⁹ Jesse Riseborough, "China Charges Four Rio Executives with Bribery, Xinhua Says," *Bloomberg*, August 11, 2009.

⁵⁰ Andrew Shearer, "The China paradox," *The Wall Street Journal Asia*, August 19, 2009.

⁵¹ Andrew Shearer, "The Thrill is Gone: Australia Falls Out of Love with China," *The Weekly Standard*, August 31, 2009.

⁵² Michael Sainsbury, "China's Billions for Gas," *The Australian*, August 19, 2009.

Chevron, ExxonMobil, and Shell.⁵³ Under the deal, PetroChina will reportedly take about 30% of Gorgon's anticipated annual output.⁵⁴

Japan

Over the last decade Australia has become a close security partner with Japan.⁵⁵ Under Howard, the Canberra-Tokyo relationship was taken to a new degree of closeness through the Japan-Australia Joint Declaration on Security Cooperation. This reinforced security ties already established through the Trilateral Security Dialogue among the United States, Japan, and Australia. Australian Minister of Foreign Affairs Stephen Smith claimed that Japan has been Australia's "closest and most consistent friend in our region for many years."⁵⁶ Some in Japan reportedly have been concerned that Australia will place its relationship with China ahead of its relationship with Japan.⁵⁷ During Prime Minister Rudd's June 2008 visit to Japan, he and Prime Minister Yasuo Fukuda issued a Joint Statement on Comprehensive Strategic, Security, and Economic Partnership which signaled the intention of the two governments to continue cooperation in a broad range of policy areas.⁵⁸

India

Prime Minister Gillard announced in November 2011 that she would seek to reverse the Labor Party opposition and lift Australia's ban on uranium sales to India.⁵⁹ The lifting of the ban would remove a key obstacle to closer Australia-India relations. Minister for Foreign Affairs Stephen Smith has stated that "While many commentators have been focusing on the rise of China, not enough attention has been paid to the rise of India.... As the world sees the potential of an Asian/Pacific century unfold, Australia sees India at the heart of this historic shift in political and economic influence." At the core of Australia's relationship with India is expanding trade. Australian trade with India has been expanding by 30% per year over the past five years. India and Australia have initiated a Free Trade Agreement feasibility study. The Rudd government believes India should have a permanent seat on the United Nations Security Council.⁶⁰ Former Australian Defence Minister Joel Fitzgibbon has stated that maritime security and counter-terror cooperation are potential areas for cooperation between India and Australia.⁶¹

⁵³ "\$50 Billion LNG Sale to China," Department of Foreign Affairs and Trade, August 25, 2009.

⁵⁴ Matthew Stevens, "Ferguson Fires up Asia's Interest in Gorgon Project," *The Australian*, August 19, 2009

⁵⁵ Malcolm Cook, "The Quiet Achiever," Lowy Institute, January 2011.

⁵⁶ Stephen Smith, MP, Minister for Foreign Affairs, "A Modern Australia for a New Era," Sydney April 9, 2008.

⁵⁷ Daniel Flitton and K. Murphy, "Rudd's Arrival at G8 to renew Japanese Ties," *The Age*, July 8, 2008.

⁵⁸ Department of Foreign Affairs and Trade, Government of Australia, "Japan Country Brief," July 2008.

⁵⁹ Lisa Curtis, "Australia's Reversal of uranium Ban to India Could Spur Trilateral Engagement," *Heritage Foundation*, November 17, 2011.

⁶⁰ The Hon. Stephen Smith MP, Minister for Foreign Affairs, "India: A New Relationship for a New Century," Department of Foreign Affairs and Trade, <http://www.foreignminister.gov.au>.

⁶¹ P.S. Suryanarana, "Australia for Practical Military Cooperation with India," *The Hindu*, June 3, 2008.

Australia and Regional Dynamics in the Southwest Pacific

The Southwest Pacific is viewed by many in Australia as its “Near Abroad” and, as such, part of Australia’s natural sphere of influence.⁶² As such it is an area of key strategic importance to Australia. The region has been subject to a number of external shocks including food and fuel price increases, the impact of the global economic crisis, natural disasters, ethnic conflict, difficulties in maintaining infrastructure and the negative effects of climate change.⁶³ Australia has led peace-keeping efforts in the region, including Timor-Leste and the Solomon Islands. These actions demonstrate Australia’s resolve to promote stability in the South Pacific.

Fiji

Since the 2006 coup led by Commodore Frank Bainimarama, Australia has sought to pressure Fiji to return to democratic government. Following the coup, Bainimarama dismissed the elected government and declared a state of emergency under which the constitution has been suspended, opponents have been arrested, and freedom of speech has been restricted. Australian pressure has included support for the expulsion of Fiji from the Commonwealth and the Pacific Islands Forum (PIF). Australia also imposed sanctions on Fiji including restrictions on travel, an arms embargo and suspension of defense cooperation and restrictions on Ministerial level contact with the interim government.⁶⁴ Australia and New Zealand also initially sought to limit Fiji’s participation in United Nations peace operations. In 2009, Fiji had about 600 troops serving in Lebanon, Iraq, Timor-Leste and the Sinai.⁶⁵ In 2011, debate in Australia on Australian policy towards Fiji began to question the policy of demanding a return to democracy as a prerequisite for reengaging with Fiji.⁶⁶ Deputy Liberal Leader Julie Bishop “signaled an end to bipartisan support for Canberra’s policies in the South Pacific.”⁶⁷ New Zealand Prime Minister Key appeared to soften New Zealand’s position on Fiji in September, 2011 after the Pacific Islands Forum meeting in Wellington by calling only for signs that Fiji was on a path to return to democracy.⁶⁸ New Zealand has apparently been seeking ways to reengage with Fiji for some time.⁶⁹

The Commonwealth continues to urge Fiji to return to democratic government. In September 2011, it was reported that the Commonwealth Ministerial Action Group, in a meeting that was attended by Foreign Minister Rudd, reaffirmed that the Commonwealth “continued its willingness to maintain dialogue with the government of Fiji, as well as the Commonwealth’s commitment to assist Fiji in all possible ways to restore civilian constitutional government and return to its place in the Commonwealth family, and so reverse the political isolation of Fiji.”⁷⁰ The Commonwealth Heads of Government Meeting (CHOGM) held in Perth, Australia in October 2011 agreed to uphold Commonwealth values by 2) (i) “urging the interim government of Fiji to restore

⁶² *Our Near Abroad: Australia and Pacific Islands Regionalism*, Australian Strategic Policy Institute, November 2011.

⁶³ Jeny Hayward-Jones, “The Pacific Islands and the World: The Global Economic Crisis,” *Lowy Institute*, August 2009.

⁶⁴ Department of Foreign Affairs & Trade, “Australia’s Autonomous Sanctions: Fiji,” December 2006.

⁶⁵ Jonathan Peelman, “Push to Block Fiji from UN Peacekeeping,” *Sydney Morning Herald*, April 29, 2009.

⁶⁶ Dan Oakes, “Fijian Shadow Looms Over the Pacific Islands Forum,” *The Age*, September 6, 2011.

⁶⁷ Bruce Gale, “Australia Rudd-erless in the South Pacific?” *Straits Times*, April 20, 2011.

⁶⁸ Dan Oakes, “Hard Line on Fiji May Be Easing,” *The Age*, September 8, 2011.

⁶⁹ “Dictators Must Not Hold Sway in Pacific,” *Dominion Post*, January 4, 2010.

⁷⁰ Commonwealth Ministerial Action Group Meets in New York,” *All Africa*, September 23, 2011.

democracy without further delay, to respect human rights, and to uphold the rule of law, and reaffirming that the Commonwealth should continue to remain engaged with Fiji and support efforts towards that end.”⁷¹

Some have argued that Australia’s policy of demanding Fiji’s return to democracy as a prerequisite for reengagement has not achieved the desired result and has opened the door for a more independent foreign policy by Fiji. Some have also argued that this facilitates expanded Chinese influence in the region. According to one commentator, “New players such as China offer novel foreign policy options outside the traditional regional processes, while the contemporary relevance of the established processes is under increasing scrutiny.”⁷² Fiji’s more independent path can be discerned through such actions as Fiji’s joining the Non Aligned Movement (NAM) in May 2011, its more active diplomacy with the Melanesian Spearhead Group (MSG), through its association with the Pacific Small Islands Developing States (PSIDS) group at the United Nations as well as through developing relations with China. China’s trade with the region is growing rapidly. China is thought to be the region’s third largest aid donor after Australia and the United States.⁷³ Fiji’s decision to open an embassy in Indonesia in April 2011 as part of its ‘Look North’ policy through engagement with ASEAN is also part of this foreign policy reorientation by Suva. Fijian Foreign Minister Inoke Kubuabola stated at the time of Fiji’s joining the NAM that it would help Fiji refocus its relations away from its traditional trading partners Australia and New Zealand.⁷⁴

Timor-Leste

Australia’s commitment to regional security and humanitarian concerns in the Asia-Pacific region has been demonstrated by its involvement in East Timor, officially known as Timor-Leste. 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 2002.⁷⁵ Timor continues to capture the imagination of the Australian public. A movie was released in 2009 on the fate of the Balibo five, a group of five Australian-based journalists who were killed in 1975 by Indonesian security forces after they traveled to Timor to cover the Indonesian invasion of Timor.⁷⁶

⁷¹ Commonwealth Secretariat, “Commonwealth Heads of Government Meeting,” Perth, Australia, 28-30 October 2011.

⁷² *Our Near Abroad: Australia and Pacific Islands Regionalism*, Australian Strategic Policy Institute, November 2011.

⁷³ Greg Ansley, “Australia Told to Repair Relations with Pacific States,” *New Zealand Herald*, December 6, 2011.

⁷⁴ “Fiji Admitted to Non-Aligned Movement,” *Radio Australia News*, May 4, 2011.

⁷⁵ “Australian PM Hints at Long-term Military Presence in East Timor,” *BBC Monitoring Service*, June 19, 2003.

⁷⁶ Nathaniel Cooper, “Tragic Times in Timor,” *Sunshine Coast Daily*, August 20, 2009.

Australia and East Timor have worked together to establish arrangements 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.⁷⁷ Australia had previously negotiated a delineation of the border with Indonesia that was more favorable to Australia. Australia and East Timor have agreed to postpone final demarcation of their maritime boundary.

The Solomon Islands

Australia's Regional Assistance Mission to the Solomon Islands (RAMSI) demonstrates Australia's resolve to reassert its influence, promote stability, and prevent failed states in the South Pacific. Australia headed a multinational force to restore order in the Solomons in 2003. This was augmented in April 2006 when a quick reaction force was sent to the Solomons to quell rioting and violence following the election of Prime Minister Snyder Rini.⁷⁸ RAMSI was established under the Biketawa Declaration and is supported by the members of the Pacific Islands Forum and led by Australia and New Zealand.⁷⁹ A contingent from the New South Wales 8th Brigade, with reserve support, was deployed to the Solomons in August 2009 to maintain the ADF's presence in the Solomons which was first established in July 2003.⁸⁰ RAMSI had strained relations between Australia and the previous Sogavare government, due to the government's appointment of Julian Moti as Attorney General. Moti was wanted in Australia for child sex offenses. The December 2007 election of Derek Sikua as Prime Minister in the Solomons led to the deportation of Moti to Australia and an improvement in bilateral ties between the Solomons and Australia.⁸¹ 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.

Australia and Counter-terrorism

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 former Howard government supported the United States 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.⁸² 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. This staunch support stems from Australia's desire to support its treaty ally and from a shared perspective on Islamist extremist violence.⁸³

⁷⁷ "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.

⁷⁸ John Kerin, "Flying Squad to Quell Solomons Riots," *Financial Review*, April 20, 2006.

⁷⁹ "Forum Secretary General Praises Success of RAMSI," *PACNEWS*, July 16, 2009.

⁸⁰ "Australian Peacekeepers Return From the Solomon Islands on Rotation," *BBC News*, August 10, 2009.

⁸¹ U.S. State Department, "Background Notes: The Solomon Islands," August 2009.

⁸² "Operation Falconer," Australian Department of Defense, <http://www.defence.gov.au>.

⁸³ Peter Finn, "Administration Makes Progress on Resettling Detainees," *The Washington Post*, August 20, 2009.

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 reportedly set as their goal the establishment of an Islamic state that encompasses Indonesia, Malaysia, the Southern Philippines, and Northern Australia. Australian and Indonesian counter-terror 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 counter-terror support to the Pacific Island Forum Secretariat.⁸⁴

Australia and the Environment

The Gillard Government's dependence on political support from the Green Party has reportedly been a key factor in the government's decision to push the implementation of a carbon tax in Australia. Australia has a target of reducing emissions to 95% of the 2000 levels by 2020. It is thought that Australian emissions will almost double from current levels by 2050 if changes are not made.⁸⁵ The Liberal-National Coalition has pledged to repeal the tax if it wins the next election.

Drought in some areas and flooding in other parts of Australia have brought increased focus on the environment by the Australian electorate. The Australian Commonwealth Scientific and Industrial Research Organization (CSIRO) has predicted that new weather patterns will mean that parts of eastern Australia, where most Australians live, will receive only 40% of their past average annual rainfall by 2070.⁸⁶ Labor's more proactive stance on environmental issues may have helped Rudd win the last election. One of Rudd's first actions as Prime Minister was to sign the Kyoto Protocol.

A key challenge for Australia in implementing the scheme will be addressing Australia's use of coal. Australia has extensive reserves of coal and is thought to have a 200-year supply. Approximately 83% of Australian power comes from coal. This dependence has made Australians some of the highest emitters of carbon on a per capita basis. Australian coal exports are expected to increase. This has led some to view Australia as exporting its problem even if it achieves its goal of reducing its own emissions.⁸⁷

Economic and Trade Issues

According to some observers, Australia's economic strategy can be described as a mix of both Asian regionalism, in which China is a key part, and globalism.⁸⁸ China became Australia's

⁸⁴ Minister for Foreign Affairs Downer, "Counter-Terrorism Package," March 7, 2003.

⁸⁵ Country Report: Australia, *The Economist Intelligence Unit*, December 2011.

⁸⁶ John Vidal, "Australia Suffers Worst Drought in 1,000 Years," *The Guardian*, November 8, 2006.

⁸⁷ "Greens and the Black Stuff," *The Economist*, July 26, 2008.

⁸⁸ Michael Evans, "US-Australia Relations in Asia," Woodrow Wilson Center Asia Seminar, June 1, 2005.

largest trade partner in 2009. Between 2001 and 2010, China-Australia trade increased 9.8 fold. Most of this trade is due to Australian exports to China which grew from \$5.4 billion in 2001 to \$60.9 billion in 2010.⁸⁹ Australia has prospered in recent years due to a significant extent on exports of commodities to Asia. An estimated 52% of Australian exports are derived from agriculture and mining.⁹⁰ This is particularly so in the state of Western Australia because of the mining industry. Australia's key export partners are China, Japan, South Korea, the United States, New Zealand, India, and the United Kingdom.⁹¹ The Australia-United States Free Trade Agreement (AUSFTA) came into force on January 1, 2005. Australia, the United States, and a collection of Asia-Pacific nations are currently seeking to negotiate the Trans Pacific Partnership to promote regional trade and investment.

While Australia's economy is dominated by its services sector, the agricultural, mining, and energy sectors account for the bulk of its exports. 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. Infrastructure development and climate change are viewed as two key issues of importance to continued economic growth. Australian droughts and floods have worsened in recent years and are predicted to continue to get worse in years ahead.

The Minerals Resource Rent Tax (MRRT), the Carbon Tax, and the National Broadband Network are three of Prime Minister Gillard's biggest policy initiatives, all of which have significant implications for the economy. The Gillard Government implemented the MRRT in 2011 which is set to impose a tax of up to 30% on profits from large mining firms. Coal-Seam Gas (CSG) development has been politically contentious in Australia. Farm and environmental interests have opposed CSG for its implications for water resources in Australia.⁹²

Public finances in Australia are relatively good as compared with other developed nations. Australia's budget deficit stood at 3.4% of GDP in FY 2010/11. High commodity prices have helped increase tax revenue. The Australian Dollar also reached a 29 year high at A\$0.89:U.S.\$1 in July 2011. The Gillard Government is committed to eliminating the deficit by FY 2012/13. The Economist Intelligence Unit expects the government to achieve this target.

⁸⁹ Derek Scissors & Walter Loman, "Australia China Economic Relations," *The Heritage Foundation*, March 9, 2011.

⁹⁰ Bureau of East Asian and Pacific Affairs, Department of State, "Background Note: Australia," February 2008.

⁹¹ "Australia," *CIA World Factbook*, July 15, 2008.

⁹² Country Report: Australia, *The Economist Intelligence Unit*, December 2011.

Figure I. Map of Australia



Source: Map Resources. Adapted by CRS.

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