

CRS Report for Congress

Australia: Background and U.S. Relations

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Summary

The Commonwealth of Australia and the United States are very close allies. Australia shares similar 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 in their conflicts.

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 died. 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 persons, 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.

Kevin Rudd, of the Labor Party, was elected prime minister on November 24, 2007. While Rudd has fulfilled an election promise to draw down Australian military forces in Iraq and has reversed Australia's position on climate change — by signing the Kyoto protocols — relations with the United States remain very close. Rudd has initiated a review of Australia's defense policy that is expected to reaffirm Australia's traditional view that the United States is a key source of stability in the Asia-Pacific region.

The previous Howard Government and the U.S. signed a bilateral Free Trade Agreement (FTA) and negotiated a Treaty on Defense Trade Cooperation that would require Senate ratification to come into force. 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. It is likely that Australia would not support a policy of containment of China if the United States sought this.

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 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 and the South Pacific. Australia has also worked closely with Indonesia to counter terrorism in Southeast Asia.

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Recent Developments

The Rudd Government

In November 2007, Kevin Rudd was elected prime minister, ending former Prime Minister John Howard's term in office that began in March 1996. Prime Minister Rudd has reaffirmed Australia's and the Labor Party's commitment to its alliance relationship with the United States even as he has differed with the United States on Iraq and climate change. Rudd has moved to draw down Australian military forces in Iraq while Australian troops remain in Afghanistan. The Australian left has grown increasingly disillusioned with the war in Iraq and views U.S. foreign policy as increasingly unilateralist. U.S. policies on Iraq, Guantanamo Bay, and Abu Ghraib appear to have negatively affected the Australian public's perceptions of American power. Despite this, support for the ANZUS alliance with the United States remains strong among most Australians.

Minister for Defence Joel Fitzgibbon announced the commissioning of a new Defence White Paper for Australia on February 22, 2008. The white paper process will include a set of accompanying reviews and a community consultative process to underpin the white paper. The white paper is not expected until some time in the first half of 2009. Such a review could have significant implications for Australia's defense policy and procurement in the future.¹

The fact that Rudd chose to visit the U.S. on his first visit abroad as the opposition leader, prior to becoming prime minister, signaled that, despite potential differences on Iraq and climate change, he views the U.S. strategic alliance to be of central importance to Australia. Rudd is generally viewed as part of the moderate element within the Labor party.² Rudd may take a very active role in foreign policy given his former career in the Department of Foreign Affairs and Trade. Rudd may also place relatively more emphasis on the United Nations than Howard did.

Australia's External Posture

During the 2007 election campaign, Rudd identified maintaining a strong alliance with the United States, engaging more fully with Asia, and seeking to play a more active role in the United Nations as the three pillars of Australian foreign

¹ Cynthis Banham, "Rudd to Shake Up National Security," *The Sydney Morning Herald*, January 19, 2008.

² Greg Sheridan, "Alliance Safe with Labor," *The Australian*, April 21, 2007.

policy.³ Australia's Defence Update 2007, prepared under the previous government, appears to have changed Australia's policy emphasis on China's military buildup by identifying it as potentially leading to "misunderstanding and instability" in the region.⁴ Some observers of Australian foreign policy have speculated that Australia increasingly will have a difficult time developing a robust trade relationship with China while at the same time continuing its close strategic and defense relationship with the United States. Former Australian Defence Minister Brendan Nelson traveled to Beijing in July 2007 to explain to the Chinese that the Defence Update, as well as growing trilateral ties between Australia, Japan, and the United States, did not mean that Australia in any way supports a policy of containment of China. Australia and Japan signed a Joint Declaration on Security Cooperation in March 2007.⁵

Subtle shifts in Australia's position relative to China may emerge under Rudd. He is expected to take a direct interest in Australia's foreign policy toward China. As a Mandarin speaker Rudd is well informed on China policy but will be conscious of not wishing to be perceived as too close to the Chinese by Australian voters or the United States. Rudd was posted to Beijing as a diplomat and worked as a consultant on China in the private sector. According to some observers, Rudd is seeking a balance through strong ties with both the United States and China.⁶

Defense Policy

Minister for Defence Joel Fitzgibbon announced in February 2008 that the Rudd government would fulfill an election promise and initiate a new Defence White Paper. Initiating such a review is not surprising given the turnover of government from the Liberal Party to the Labor Party. A Ministerial Advisory Panel has been formed to provide external advice consisting of Professor Ross Babbage, Major General Peter Abigail (ret.), and Dr. Mark Thompson.⁷

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 Two, the United States. Despite this debate, there has been much continuity in practice, especially with regard to support for Australia's commitments to the Australia-New Zealand-United States (ANZUS) alliance.

³ Russell Trood, "Rudd Needs a Clearer Idea to Stem Growing Disarray," *The Australian*, July 4, 2008.

⁴ W. Chong, "Aussie Warning on China's Military Growth," *Straits Times*, July 6, 2007.

⁵ Department of Foreign Affairs and Trade, Australia-Japan Joint Declaration on Security Cooperation, March 13, 2007.

⁶ Dennis Shanahan, "One Man Band Rudd Risky as China's Mate," [<http://www.theaustralian.news.com.au>].

⁷ The Hon. Joel Fitzgibbon, MP and Minister for Defence, "New Defence White Paper," February 22, 2008.

Key analysts have speculated that the new Defense White Paper will emphasize the defense of Australia and the ability to lead regional operations. Other issues to be addressed may include contributions to coalition operations with the United States, particularly in the Asia-Pacific, and related interoperability issues. Efforts to curb terrorism and the evolving geopolitics of Northeast Asia will also likely receive emphasis in the document.⁸

Fitzgibbon has committed the government to maintain an annual real three percent increase in defense funding through 2018.⁹ It is estimated that this increase will bring Australian defense expenditure up from 2% of GDP to 2.6%.¹⁰ Fitzgibbon has reportedly stated that he believes Australia will go ahead with the \$16 billion purchase of the Joint Strike Fighter built by Lockheed Martin in Fort Worth, Texas.¹¹

Bilateral Developments with the United States

Secretary of State Rice reaffirmed the close relationship between the United States and Australia during her July 2008 visit to Perth, Australia, where she noted that Australian military contributions in Afghanistan are “tremendously appreciated” and stated “there is no better friend for the United States than Australia.”¹² The close relationship with the Rudd government was similarly reaffirmed by Defense Secretary Gates during his February 2008 visit to Australia when he stated, “The bonds of unity that grew from our common heritage and have been strengthened on battlefields around the world are every bit as strong as they have ever been.”¹³

The United States and Australia signed a Treaty on Defense Trade Cooperation in September 2007. This treaty is proposed at a time when the United States has found few friends willing to work as closely with it in its efforts to contain militant anti-Western Islamists as Australia has proven to be. The treaty with Australia would need to be ratified by the U. S. Senate to come into force.¹⁴

⁸ Richard Brabin Smith and Paul Dibb, “Now is the Time for Strategic Priorities,” *The Australian*, June 7, 2008. For more detailed discussion of the White Paper see Hugh White, “The New Defence White Paper: Why We Need It and What It Needs to Do,” *Lowy Institute*, Sydney, April 2008.

⁹ “Fitzgibbon Says Hes Committed to Defence Funding,” *Australian Associated Press*, July 8, 2008.

¹⁰ J. Irvine, “Treasury Warns on Military Spending,” *The Sydney Morning Herald*, July 7, 2008.

¹¹ “Fitzgibbon Says JSF Most Likely the Fighter for Australia,” *Australian Associated Press*, July 11, 2008.

¹² U.S. State Department, “Rice with Aust. Foreign Minister Smith,” July 25, 2008

¹³ States News Service, “Joint Press Conference with Secretary of Defense Robert Gates, Australian Minister of Foreign Affairs Stephen Smith, and Australian Defense Minister Joel Fitzgibbon, States News Service, February 23, 2008.

¹⁴ For more information see CRS Report RS22772, *The U.S.-Australia Treaty on Defense Trade Cooperation*, by Bruce Vaughn.

Australia and the Environment

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 2070.¹⁵ 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.

Australian Minister for Climate Change and Water, Senator Penny Wong, released the Australian Government's Green Paper on a Carbon Pollution Reduction Scheme on July 16, 2008. In releasing the paper, Minister Wong pointed out that Australia is one of the world's hottest and driest places and that Australian agriculture and water supplies are threatened by climate change. The scheme involves emissions trading with government-set limits on how much carbon pollution industry can produce. The government intends on implementing the scheme in 2010.¹⁶

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 by a third over the next five years. This has led some to view Australia as exporting its problem even if it achieves its goal of reducing its own emissions by 60% from 2000 levels.¹⁷

Soon after taking office the Rudd government indicated that it was considering using naval vessels to track Japanese whaling vessels near Australian waters in order to collect evidence possibly to make a case against Japan's whaling in the International Court of Justice. The Japanese whaling fleet reportedly intended on killing some 1,000 whales, including 50 humpback whales.¹⁸ This pressure on whaling issues with Japan was a departure from the policy orientation of the previous Howard Government that signed a security agreement with Japan in 2007. Developing positive relations with Japan is a priority of the Rudd government despite differences over whaling.

¹⁵ John Vidal, "Australia Suffers Worst Drought in 1,000 Years," *The Guardian*, November 8, 2006.

¹⁶ Senator Penny Wong, Minister for Climate Change and Water, Green Paper on Carbon Pollution Reduction Scheme Released, July 16, 2008.

¹⁷ "Greens and the Black Stuff," *The Economist*, July 26, 2008.

¹⁸ Ross Peake, "Cabinet to Focus on Military, Whaling," *The Canberra Times*, December 17, 2007.

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, they account for only about 1% 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.

Australia at a Glance

Government: Parliamentary democracy and federal state system

Leadership: Prime Minister Kevin Rudd

Head of State: Queen Elizabeth II, who appoints a Governor-General.

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

Area: About the size of the lower 48 U.S. states

Capital: Canberra, population 323,000

Population: 21 million

Population growth rate: 0.824%

Ethnic groups: Caucasian 92%, Asian 7%, aboriginal and other 1%

Foreign-born population: 23.6%

GDP growth: 4.1% (2007 est.)

GDP per capita ppp: \$33,300

Inflation: 2.4%

Unemployment: 4.9%

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

While the majority of Australians have British or Irish ancestry, Australia's immigrants also came from elsewhere in Europe particularly after World War II.¹⁹ 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 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 abroad.

Australia is slightly smaller than the contiguous lower 48 United States and has a population of some 21 million. Australia's main export partners are China, Japan, South Korea, the United States, and New Zealand. Australia's main exports are coal, iron ore, gold, crude petroleum, and bovine meat. While some 72% of GDP is derived from the services sector, 52% of exports come from mining and agriculture, which together account for 8% of GDP.²⁰

Australia is an independent nation within the British Commonwealth. The Head of State is Queen Elizabeth, who is represented by the Governor General, Major General (ret.) Michael Jeffery. In practice, power is held by the Prime Minister and

¹⁹ 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]

²⁰ "Background Note: Australia," Bureau of East Asian and Pacific Affairs, Department of State, July 2007.

Cabinet, who are elected members of Parliament. Australia has a bicameral parliament composed of a House of Representatives, with 150 members elected by popular preferential ballot, and a Senate, with 76 members. Twelve Senators from each of the six states are elected for six year terms of office. The two territories have two senators each who are elected for three year terms. Parliamentary elections are called by the government but must be held at least once every three years. Voting is mandatory in Australia.²¹ The Liberal-National Party coalition and the Labor Party are the two main political forces in Australia.²² There is a growing Republican movement in Australia that supports breaking with the crown.

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.²³

Domestic Political Context

Labor Party leader Kevin Rudd's November 24, 2007 electoral victory over former Prime Minister John Howard, who lost his own parliamentary seat representing Bennelong, marks a significant shift away from the Liberal Party-dominated government that has ruled Australia since 1996. Former Defence Minister Brendan Nelson replaced Howard as leader of the Liberal-National Party Coalition. As Opposition Leader, Nelson has not presented a strong challenge to Rudd. According to a recent poll, only 13% of Australians favor Nelson, as opposed to 68% who favor Rudd. The next federal elections do not have to be held until 2010.²⁴ The most dramatic political decision brought about by the election thus far is Australia's policy reversal on climate change. Rudd has signed the Kyoto Protocol on Climate Change and stated that he wants Australia to be a leader on climate change policy.²⁵ Rudd is also expected to change labor policies brought into force by the previous Howard government.

²¹ "Background Note: Australia," Bureau of East Asian and Pacific Affairs, Department of State, July 2007.

²² U.S. Department of State, "Background Note: Australia," December, 2004, and Central Intelligence Agency, "World Factbook, Australia," June, 2005.

²³ 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).

²⁴ "Country Report Australia," *The Economist Intelligence Unit*, July 2008.

²⁵ "Australia to be 'Climate Bridge'," *BBC News*, December 6, 2007.

Relations with the United States

Bilateral Ties

The Commonwealth of Australia and the United States are very close allies. 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. Australia has been a strong partner in the global war against terror and its citizens have been the victims of several terrorist attacks. 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 the dead. Australia was one of the first countries to commit troops to U.S. military operations in Afghanistan and Iraq.

Under former Prime Minister John Howard, the Australian government demonstrated a strong commitment to its alliance with the United States through its contribution of combat troops, including special forces, to Afghanistan and Iraq. Under the leadership of Howard and President Bush, the United States and Australia strengthened at the government-to-government level an already very close relationship between two long-term allies. Shared perspectives on the war against militant Islamists also enhanced this close relationship.

Public attitudes in Australia diverged from the close government-to-government relations under the former Prime Minister. Australians' negative perceptions of President Bush and his policies have adversely affected Australia's perception of the United States. That said, these negative impressions have yet to harm Australians' positive perceptions of their bilateral alliance with the United States.²⁶ Prime Minister Rudd's government has clearly articulated that it wishes to maintain strong ties with the United States and that it views American engagement in the Asia-Pacific as key to maintaining regional security.²⁷

The United States continues to view the bilateral relationship with Australia as one of its closest relationships. Vice President Cheney stated during his February 2007 visit to Australia that "Australians and Americans ... respect and like each other ... never before has our alliance been stronger."²⁸ Rudd has declared his "passionate" and "rock solid" support of the alliance.²⁹ President Bush also reaffirmed the strength of the alliance when in Sydney in September 2007.³⁰

²⁶ Tim Johnson, "Australians are Split Over the U.S. Poll Finds Many Worried by America's Political Direction," *The New York Times*, December 10, 2007.

²⁷ "Redrawing the US Alliance, The Rudd Government will Maintain Strong Ties," *Canberra Times*, December 8, 2007.

²⁸ "Vice President's Remarks with Australian Prime Minister John Howard," Sydney, U.S. Department of State, February 24, 2007.

²⁹ Ralph Cossa, "U.S. - Australia Still Mates," *PacNet*, December 17, 2008.

³⁰ President Bush and Australian Prime Minister Howard Discuss U.S.-Australia Defense (continued...)

Bilateral relations across the political spectrum have not always been close. The former leader of the 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."³¹ Many on the left of the Labor party also opposed a free trade agreement (FTA) with the United States.³² 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.

Trilateral Ties

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.³³ 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.³⁴ 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. Then-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."³⁵ Commentary speculated that the deployment had as much to do with bolstering ties with Japan as it did with Iraq.³⁶ Australia's 2007 Defence Update described Japan as Australia's closest ally in the region.³⁷

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

³⁰ (...continued)

Trade Cooperation Treaty in Joint Press Availability, Office of the Press Secretary, The White House, September 4, 2007.

³¹ "Australia: Friendly Fire," *Far Eastern Economic Review*, July 15, 2004.

³² Mark Davis, "Latham Faces Party Showdown on FTA," *Financial Review*, July 21, 2005.

³³ A. Searle and I. Kamae, "Anchoring Trilateralism: Can Australia-Japan-US Security Relations Work," *Australian Journal of International Affairs*, December, 2004.

³⁴ "US Security Talks with Australia, Japan to Intensify," *US Fed News*, May 4, 2005.

³⁵ Prime Minister Howard as quoted in "Australia Commits More Troops in Iraq to Safeguard Japanese Forces," *Radio Australia* transcript, February 22, 2005.

³⁶ Dan Blumenthal, "Strengthening the U.S.-Australian Alliance: Progress and Pitfalls," *American Enterprise Institute*, April/May, 2005.

³⁷ W. Chong, "Aussie Warning on China's Military Growth," *Straits Times*, July 6, 2007.

discussed.³⁸ Nuclear weapons proliferation is also thought to be part of the group's agenda.³⁹ 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 2004 tsunami. One interpretation of the reason 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 Asia or whether China will seek to use East Asian regionalism to exclude the United States, which neither Australia nor Japan would wish to see.⁴⁰

Dr. Rice stated in the lead-up to a 2006 meeting with Australian counterparts 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 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.⁴¹ Many in Australia value Australia's lucrative trade relationship with China even as they look to the United States as Australia's overwhelmingly most important strategic ally.

Defense

Australia did much to augment its defense capabilities under Howard's leadership, including a 47% real increase in defense spending under his watch.⁴² The 2007 defense budget represents a 10.6% increase over 2006. Howard committed his government to a 3% annual real increase in defense spending out to the year 2016. Prime Minister Rudd has similarly pledged support for robust defense expenditures. 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.

The annual trilateral ANZUS meeting has been 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. Differences over New Zealand's nuclear policies in the mid 1980s led New Zealand to be de facto excluded from the alliance. The 2008 AUSMIN meeting focused on issues such as the need to work together to promote regional prosperity and security, to increase broad-based engagement with Indonesia, and to encourage China to adopt a transparent approach

³⁸ Geoff Elliott, "China and North Korea Focus of New US Security Talks," *The Australian*, May 6, 2005.

³⁹ "Rice Downer Agree on trilateral Strategic Talks with Japan," *Asian Political News*, May 9, 2005.

⁴⁰ "Three Against One," *South China Morning Post*, May 11, 2005.

⁴¹ "Rice to Make First Visit as Secretary of State," *Australian Associated Press*, March 14, 2006.

⁴² The Honorable Brendan Nelson, Minister for Defense, "Defence Update 2007 - Protecting Our People, Interests, and Values," July 5, 2007.

to its military modernization. The meeting also noted the further deepening of bilateral defense cooperation through the earlier signing of the U.S.-Australia Treaty on Defense Trade Cooperation.⁴³ The two countries cooperate extensively in the area of intelligence and operate early warning and intelligence joint facilities at Pine Gap and Nurrungar.⁴⁴ The decision to work with the U.S. on missile defense is part of a larger decision by Australia to continue a close connection with U.S. military strategy and operations.

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.”⁴⁵ Australia has sought to configure its defense force for both continental defense and manoeuvre warfare.⁴⁶ Australia’s evolving strategy increasingly takes a global as well as regional view of threats to Australia. As a result, Australia 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.⁴⁷

Counterterror Cooperation. 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.⁴⁸ 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.

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

⁴³ “Australia-United States Ministerial Consultations, 2008 Joint Communiqué,” [<http://www.dfat.gov.au>].

⁴⁴ 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.

⁴⁵ Ministry of Defense, *Australia’s National Security: A Defense Update* (Canberra: Commonwealth of Australia, 2003).

⁴⁶ Paul Monk, “Revolution in Defence,” *The Financial Review*, July 8, 2005.

⁴⁷ “US Calls on Canberra to Play Role Outside Asia-Pacific,” *Australia Radio*, Australian Broadcasting Corporation, February 7, 2006.

⁴⁸ “Operation Falconer,” Australian Department of Defense, [<http://www.defence.gov.au>].

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 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.⁴⁹ (For further discussion of Australia's role in the war against terror, see CRS Report RL31672, *Terrorism in Southeast Asia*, coordinated by Bruce Vaughn.)

Afghanistan. The new Labor government's Defence Minister Joel Fitzgibbon has stated that "we are winning the battles and not the war" in Afghanistan. Australia has indicated that new tactics are needed to bring stability and has called on NATO countries to increase their commitment to Afghanistan. Australia has approximately 1,000 troops stationed in Afghanistan, mostly in Oruzgan Province.⁵⁰

Iraq. Prime Minister Rudd has long stated that he intends to draw down Australian combat troops in Iraq.⁵¹ Although Australia has provided combat support to U.S. operations in Iraq and Afghanistan since the beginning of U.S. involvement in these conflicts, it is now shifting emphasis away from Iraq. Australian Defence Minister Fitzgibbon recently explained Australia's decision to reduce its military commitment to Iraq by stating that its obligations had

... left us with insufficient ability to deal with contingencies in our own immediate region, where we need to be constantly in readiness to deal with issues which may arise among the fragile states of the South Pacific — the so called arc of instability.⁵²

Although Australia will leave P-3 Orion aircraft and an Australian frigate in the Persian Gulf, the drawdown of its military commitment marks a shift in policy emphasis away from Iraq.

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 increasingly assuming a prominent role, and globalism.⁵³ Australia has prospered in recent years due to a

⁴⁹ Minister for Foreign Affairs Downer, "Counter-Terrorism Package," March 7, 2003.

⁵⁰ Patrick Walters, "We're Losing the War in Afghanistan," *The Australian*, December 17, 2007.

⁵¹ "Australia Warns of NATO Failure in Afghanistan," *Voice of America*, December 17, 2007.

⁵² "Troops Needed in Our Region," *Sydney Morning Herald*, July 16, 2008.

⁵³ Michael Evans, "US-Australia Relations in Asia," Woodrow Wilson Center Asia Seminar, (continued...)

significant extent on exports of commodities to Asia. An estimated 52% of Australian exports are derived from agriculture and mining.⁵⁴ This is particularly so in the state of Western Australia because of the mining industry. The national economy is now slowing from an estimated GDP growth rate of 4.3% in 2007 to a projected 2.7% in 2008. The Australian dollar — which was close to a 24-year high in June 2008 — is expected to decrease in value as higher interest rates and increasing fuel costs are undermining consumer confidence.⁵⁵ As of 2006, Australia's key export partners were Japan (19.6%), China (12.3%), South Korea (7.5%), the United States (6.2%), New Zealand (5.5%), and the United Kingdom (5%).⁵⁶ The Australia-United States Free Trade Agreement (AUSFTA) came into force on January 1, 2005. The United States is Australia's major economic partner with overall trade in goods and services reaching approximately \$47 billion in 2007.⁵⁷

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. In recent decades Australia has been progressively opening up its economy. Infrastructure development and climate change are viewed as two key issues of importance to continued economic growth. Australian droughts have worsened in recent years and are predicted to continue to get worse in years ahead. The Australian economy experienced real growth of 2.6% in 2006 and an estimated 4.1% in 2007. The newly elected Rudd government has pledged to restore some labor union rights to collective bargaining for workers. China's rapid growth and steady demand in Japan are expected to provide a favorable external trade environment for Australia.⁵⁸

Australia is also seeking an FTA with China. It is estimated that an FTA with China would significantly increase Australia's GDP. Chinese Premier Wen Jiabao stated that an FTA was expected in two years during his April 2006 visit to Australia.⁵⁹ Australia and China signed an agreement on the export of uranium from

⁵³ (...continued)
June 1, 2005.

⁵⁴ Bureau of East Asian and Pacific Affairs, Department of State, "Background Note: Australia," February 2008.

⁵⁵ "Country Report Australia," *The Economist Intelligence Unit*, July 2008.

⁵⁶ "Australia," *CIA World Factbook*, July 15, 2008.

⁵⁷ Australian Minister for Trade, The Hon. Simon Crean MP, "Australia-U.S. Ministerial Trade Talks," June 3, 2008.

⁵⁸ "Australia: Country Report," *The Economist Intelligence Unit*, December 2007.

⁵⁹ "China, Australia Make Significant Free Trade Progress," *Mineweb*, April 7, 2006.

Australia to China in April 2006.⁶⁰ The pace of negotiations reportedly has been slow. China and Australia held their 11th round of negotiations in June 2008.⁶¹

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 only 21 million people is located relatively close to key population centers of Asia, including Indonesia, China, and India. 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 decision to extend an 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 have drawn it to Asia even as it has not reconciled itself with what this means for its identity.

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. While it remains to be seen how Kevin Rudd's leadership will shape Australia's engagement with Asia, the Howard Administration consistently took 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.⁶² Australia has in the past relied on concepts such as the defense of Australia, self-reliance within an alliance framework, forward

⁶⁰ Geoff Hiscock, "Australia, China Sign Uranium Deal," *CNN*, April 3, 2006.

⁶¹ Department of Foreign Affairs and Trade, Government of Australia, "Australia-China FTA Negotiations," June, 2008.

⁶² 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.

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 rise of China; the Asian financial crisis of 1997 and its political impact on the region; Australia's East Timor intervention of 1999 and increasing instability in Southeast Asia and the Southwest Pacific; the war against terror and deployments to Afghanistan and Iraq; and the Bali bombings of 2002 and 2005 and the bombing of the Australian Embassy in Jakarta in 2004. Many of these events had significant global as well as regional dimensions.⁶³

The former Howard government'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 unstable states to the north of Australia, such as the Solomon Islands, East Timor, 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. Although Australia does not see conflict between the United States and China as inevitable, such a conflict would make Australia's position with China more difficult.

Australia's Asian Engagement

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. Australian governments have traditionally 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 less supportive. Beijing strategists are thought by some to be concerned that strengthening of the U.S. alliances with Australia and Japan may be aimed at "containing" China. Some have argued that greater Australian support of the United States may undermine Australia's efforts to engage Asia at a deeper level.⁶⁴

Rudd's Asia-Pacific Community Concept. In June 2008, Prime Minister Rudd put forward an inclusive vision for an Asia-Pacific Community that would include the United States, China, Japan, India, and Indonesia as well as other regional states as a way of shaping the evolving regional architecture of Asia. The group

⁶³ 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.

⁶⁴ Derek McDougall, "Australia and Asia-Pacific Security Regionalism: From Hawke and Keating to Howard," *Contemporary Southeast Asia* (Singapore), April, 2001.

would discuss political and security issues as well as economic issues.⁶⁵ Rudd's initiative has been criticized by some for not consulting with regional leaders before it was announced.⁶⁶ The proposal was not overly well received in Southeast Asia and Malaysia came out against the concept.⁶⁷ It appeared that India gave Rudd cautious support for the concept.⁶⁸ Rudd's proposal now joins other proposed Asian architectures including the East Asia Summit, APEC, Association of Southeast Asian Nations (ASEAN) plus three, and the ASEAN Regional Forum. Rudd's concept differs from these most significantly in that it includes the United States and India and would address political and security issues as well as economic issues.⁶⁹

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 Indonesians' displeasure over Australia's role in East Timor's independence, relations are at present positive. The strategic aspect of the relationship is defined by the 2006 Lombok Treaty as well as a recently renewed Memorandum of Understanding on Combating International Terrorism.⁷⁰ Many Australians were killed in the 2002 Bali bombing carried out by the Jemaah Islamiya terrorist group. The Australian Embassy in Jakarta was also bombed in 2004 and a second terrorist attack struck Bali in 2005. Australia will provide Indonesia with an estimated AD \$462 million in official development assistance in 2008-2009.⁷¹

Australia and Indonesia have experienced difficulties, as well as successes, in their bilateral relationship in recent years. Tensions over temporary asylum granted by Australia to a number of West Papuans have been of particular concern to Indonesia. An April 2006 poll in Australia found 75% of Australians favoring self-determination for West Papua.⁷² Such tensions have occurred even as bilateral cooperation on counterterrorism and security has improved.⁷³ 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 recent independence of East

⁶⁵ Stephen Loosely, "Pacific Allies Must Foster an Asian Regional Dialogue," *The Australian*, June 20, 2008.

⁶⁶ David McLennan, "Rudd Plan for Asian Community Written Off," *Canberra Times*, July 4, 2008.

⁶⁷ "History Repeats as Malaysia Cool to Aust Asia-Pacific Idea," *Australian Associated Press*, July 11, 2008.

⁶⁸ "FM Mukherjee Supports Australian Proposal to Form Asia-Pacific Community," *The Times of India*, June 8, 2008.

⁶⁹ Rory Medcalf, "Rudd's Asian Aria Sounds Familiar," *Australian Financial Review*, June 10, 2008.

⁷⁰ Hon Stephen Smith MP, Minister for Foreign Affairs, "Launch of Australian Strategic Policy Institute Strategy Report on Indonesia," May 27, 2008 Parliament House, Canberra.

⁷¹ Department of Foreign Affairs and Trade, "Indonesia Country Brief," June 2008. In August 2008, the Australian dollar was worth approximately 87 U.S. cents.

⁷² "Howard Rejects Papua Poll," *Canberra Times*, April 20, 2006.

⁷³ "Indonesia's Rift with Australia," *Sydney Morning Herald*, April 21, 2006.

Timor, which was formerly an Indonesian province. Australia, under the United Nations, played a key role in assisting East Timor to become an independent nation. The East Timor intervention was viewed negatively in Indonesia and led to the end of the previous Agreement on Mutual Security between Canberra and Jakarta.⁷⁴ Australia and Indonesia resumed joint military exercises with an air force exercise held in April 2005.⁷⁵

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.⁷⁶ In December 2004, Australia announced a decision to provide AD\$20 million to Indonesia for counterterror assistance over the next five years.⁷⁷ Australia's generous post-2004 tsunami assistance also improved relations between Australia and Indonesia.

China. Prime Minister Rudd will likely continue to develop Australia's trade and political relations with China. Australia and China commenced a bilateral Strategic Dialogue in February 2008. Rudd, a former diplomat who speaks Mandarin, is likely to carefully balance his approach to China with Australian values. Rudd reportedly took up the issue of Tibet during his April 2008 visit to China.⁷⁸ Rudd prefers a "practical" approach to China that will not alarm Beijing as was reportedly the case with an earlier proposal to develop a quadrilateral security architecture consisting of the United States, Japan, Australia, and India in 2007. In this way, some in Asia view Australia under Rudd as more independent of the United States than it was under Howard.⁷⁹

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.⁸⁰ There is a debate in Australia on whether Australia's growing trade ties with China will lead Australia to have to choose

⁷⁴ Richard Woolcott, "Foreign policy priorities for the Howard Government's Fourth Term," *Australian Journal of International Affairs*, June, 2005.

⁷⁵ "Australia and Indonesia Hold First Military Exercise for Six Years," *Oster Dow Jones*, April 12, 2005.

⁷⁶ "Indonesian Parliament Approves Papua Sovereignty Treaty with Australia," *BBC News*, November 29, 2007.

⁷⁷ Adianto Simamora, "Terrorism Bolsters Australia's Ties with Indonesia," *The Jakarta Post*, December 28, 2005.

⁷⁸ Michael Fullilove, "Rudd Steps Out Into the World with Elan," *Sydney Morning Herald*, July 14, 2008.

⁷⁹ P.S. Suryanarayana, "Australia: A Free Thinking Ally of the U.S.," *The Hindu*, June 16, 2008.

⁸⁰ Janaki Kremmer, "How Trade May Corral Australia's Sheriff," *Christian Science Monitor*, June 8, 2005.

between economic engagement with China and its close strategic 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."⁸¹ In 2006, Australia-China merchandise trade was \$34.6 billion while Australia-U.S. trade was \$26.1 billion.⁸² There is little enthusiasm in Australia for what is perceived as an increasingly tough policy stance on China by some in Washington.⁸³

While it remains to be seen where Rudd will take Australia's China policy, it may have much continuity with the previous government's approach. The government of former Prime Minister Howard favored a policy of engagement with China. His Foreign Minister Alexander Downer 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 U.S. security community may seek a shift of U.S. policy away from "pragmatic constructive engagement to a more confrontational position" toward China.⁸⁴ 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 2005.⁸⁵ Australia has 40% of the world's known uranium reserves.⁸⁶

In August of 2004, Foreign Minister Downer, in response to a question on whether the ANZUS alliance applied to a potential conflict with China over Taiwan, stated that the treaty would not automatically be invoked.⁸⁷ Some have described the Downer statement on Taiwan as a "radical restatement of Australian policy while others have passed it off as gaffe."⁸⁸ Former Prime Minister Howard 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."⁸⁹

⁸¹ Minister for Foreign Affairs, Alexander Downer, "Australia and China's Shared Interests - Security and Strategic Dimensions," August 13, 2004.

⁸² "Australia Trade Data," *World Trade Atlas*, 2006.

⁸³ Tony Pratt, "Caught in the Middle," *Financial Review*, May 6, 2005.

⁸⁴ Patrick Walters, "Containing China a Big Mistake," *The Australian*, March 16, 2006.

⁸⁵ Brendan Nicholson and Orietta Guerrero, "Embrace China, Downer Tells U.S.," *The Age*, March 16, 2006.

⁸⁶ Barry Hing, "China's Pacific Power Play," *The Straits Times*, April 6, 2006.

⁸⁷ Peter Jennings, "Australia's Regional Diplomacy Challenge," *Financial Review*, April 30, 2005.

⁸⁸ Greg Sheridan, "Chinese Human Rights Abuse a No-go Zone," *The Australian*, June 25, 2005.

⁸⁹ 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.

Japan. 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 recently that Japan has been Australia's "closest and most consistent friend in our region for many years."⁹⁰ Some in Japan are reportedly concerned that Rudd's government will place Australia's relationship with China ahead of its relationship with Japan.⁹¹ Australian exports to Japan fell 2.5% from 2006 to 2007. Despite this, Japan remained Australia's largest export market.⁹²

Relations initially were not as close as they were under Howard as the Rudd government pressed Japan to curb its whaling in the Southern Ocean. Despite a rough start, relations have improved in recent months. Rudd has sought to portray tensions over Japan's whaling as "disagreement between friends" that was not likely to "undermine in any way the strong and positive nature of our bilateral relationship."⁹³ 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.⁹⁴

India. 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.⁹⁵ Australian Defence Minister Joel Fitzgibbon has stated that maritime security and counterterror cooperation are potential areas for cooperation between India and Australia.⁹⁶ Foreign Minister Smith has reiterated the

⁹⁰ Stephen Smith, MP, Minister for Foreign Affairs, "A Modern Australia for a New Era," Sydney April 9, 2008.

⁹¹ Daniel Flitton and K. Murphy, "Rudd's Arrival at G8 to renew Japanese Ties," *The Age*, July 8, 2008.

⁹² Department of Foreign Affairs and Trade, Government of Australia, "Japan Country Brief," July 2008.

⁹³ "Australia's PM Visit to Japan and Indonesia Reaffirms Bilateral Relationships," *Global Insight*, June 13, 2008.

⁹⁴ Department of Foreign Affairs and Trade, Government of Australia, "Japan Country Brief," July 2008.

⁹⁵ 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>]

⁹⁶ P.S. Suryanarana, "Australia for Practical Military Cooperation with India," *The Hindu*, (continued...)

Rudd government's position that it will not lift a ban on uranium sales to India.⁹⁷ The Rudd government reversed the former Howard government's decision to sell uranium to India because India is not a signatory to the Nuclear Non-Proliferation Treaty.⁹⁸

Regional Dynamics in the Southwest Pacific

Kevin Rudd has made it clear that he wishes to place relatively more emphasis on Australia's relationship with the Southwest Pacific, a region in Australia's immediate neighborhood. Australia has led peace-keeping efforts in the region, including East Timor and the Solomon Islands. These actions demonstrate Australia's resolve to promote stability in the South Pacific. Rudd has already sought to improve relations with Papua New Guinea and has traveled to East Timor, where he promised that Australian troops will remain through 2008 to help maintain security.⁹⁹

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 2002.¹⁰⁰

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.¹⁰¹ In 2004 and 2005 some Members of the U.S. Congress expressed 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 had previously negotiated a delineation of the border with Indonesia that was more

⁹⁶ (...continued)
June 3, 2008.

⁹⁷ "No Uranium But Australia Wants Strong Ties with India," *Indo-Asian News Service*, June 20, 2008.

⁹⁸ "Rann Refuses to Back Sale of Uranium to India," *ABC News*, June 11, 2008.

⁹⁹ Michelle Grattan, "Troops Will Stay, PM Promises," *The Age*, December 15, 2007.

¹⁰⁰ "Australian PM Hints at Long-term Military Presence in East Timor," *BBC Monitoring Service*, June 19, 2003.

¹⁰¹ "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.

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 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.¹⁰² 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.

Treaty of Amity and Cooperation and East Asian Summit

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 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, without Australia or New Zealand, 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.

Previously, the Howard Government had opposed signing the Treaty of Amity and Cooperation 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.¹⁰³ The Howard Government supported the U.S. policy of preemption and since the Bali bombing has reserved the right to act preemptively to neutralize terrorist threats to Australia.¹⁰⁴ The inclusion of Australia, New Zealand, and India appears to have been the result of some ASEAN states' preference for more expansive membership to balance the influence of China.

¹⁰² John Kerin, "Flying Squad to Quell Solomons Riots," *Financial Review*, April 20, 2006.

¹⁰³ 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.

¹⁰⁴ Anthony Smith, "Still Great Mates: Australia and the United States," *Asian Affairs*, Summer, 2003.

Figure 1. Map of Australia



Source: Map Resources. Adapted by CRS.