



# Australia: Background and U.S. Relations

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August 15, 2013

**Congressional Research Service**

7-5700

[www.crs.gov](http://www.crs.gov)

RL33010

**CRS Report for Congress**

*Prepared for Members and Committees of Congress*

## 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 rotational stationing of U.S. Marines in northern Australia and increased rotations of U.S. Air Force planes, were announced by President Obama and then-Labor Party Prime Minister Julia Gillard. Gillard has since been replaced by fellow Labor Party member Kevin Rudd. The deployment of Marines 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 rebalance to Asia strategy.

All recent Prime Ministers of Australia, including Prime Ministers Rudd, Gillard, and Liberal Party member 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 center Liberal Party. Rudd became Prime Minister after an internal Labor Party struggle. Parliamentary elections, in which Rudd and Abbott are the leading candidates, have been called for September 2013.

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 is also working with the United States to help craft the Trans Pacific Partnership (TPP) agreement to promote trade and investment liberalization in the Asia-Pacific region.

While Australia has a complex array of international relations with many state and non-state actors, its geopolitical context is to a large extent defined by its economic relationship with China and its strategic relationship with the United States. Australia's political leadership believes it does not have to choose between the two and that it can seek to have a constructive trade relationship with China while maintaining its close strategic relationship with the United States.

Australia plays a key role in promoting regional stability in Southeast Asia and the Southwest Pacific and has supported 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. The Australian economy has done relatively well when compared with other developed economies in recent years. Australia's developing trade relationship with China has been a key source of growth.

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## Recent Events

Australia, a traditionally staunch U.S. ally, has in recent years strengthened its long-standing alliance with the United States. The two nations also share strategic interests in the region and globally and have worked closely together to promote these goals. Australia's "worldview" largely sees the United States as a force for good in the world and in Australia's Indo-Pacific region. There is strong bipartisan elite and popular support in Australia for bilateral defense cooperation with the United States.

Australia's renewed emphasis on its relationship with the United States within the context of the Obama Administration's rebalancing to Asia strategy makes it a valuable partner of the United States in the Indo-Pacific region. Australia's political leadership does not see Australia's economic relationship with China, which has been its largest trading partner since 2009, and its strategic relationship with the United States as incompatible<sup>1</sup> and 87% of Australians believe that it is "possible for Australia to have a good relationship with China and the United States at the same time." Australia's decision to strengthen its already strong American alliance may also reflect growing uncertainty in Canberra about how to deal with the evolving correlates of power in Asia. While 76% of Australians identify China as the most important economy to Australia, as opposed to 16% that identify the United States economy as the most important, 48% of Australians place higher value on their relationship with the United States as compared with 37% that do with Australia's relationship with China. Further, "68% of Australians support increased defense spending in the context of a rising Asia."<sup>2</sup>

Australia has been an active supporter of United Nations Peace Operations and won a seat on the U.N. Security Council for 2013-2014. More than 65,000 Australians have served in U.N. and other multilateral peace operations since 1947, with 3,100 serving abroad today. Notable deployments in Australia's region include Timor-Leste, Bougainville, and the Solomon Islands. Australia has also been one of the largest non-NATO contributors to the International Security Assistance Force in Afghanistan.<sup>3</sup> Australia has announced that at least 1,000 of its 1,550 troops in Afghanistan will be withdrawn by the end of 2013.<sup>4</sup>

## Political Context

In a leadership "spill" in June 2013 Kevin Rudd ousted Australia's first female Prime Minister Julia Gillard as leader of the Labor Party to become Prime Minister again. This is a particularly interesting turn of events as Gillard herself came to power in 2010 by displacing Rudd. Gillard was subsequently elected Prime Minister in the 2010 election with 72 Labor seats out of 150 in the House of Representatives. This made her government dependent on the Green Party and independent MPs. Rudd now faces a significant challenge to reunite a divided Labor Party and improve his and Labor's standing in the polls if he is to be returned to office at the next election. The belief of many that Rudd could more effectively lead Labor in the next election played a key

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<sup>1</sup> "Australia," *The Economist Intelligence Unit Country Report*, June 2013.

<sup>2</sup> "The Lowy Institute Poll 2013," <http://lowyinstitute.org>.

<sup>3</sup> "Australia: United Nations," <http://australia-unsc.gov.au>.

<sup>4</sup> "Australia Withdraws Afghanistan Troops," *The Guardian*, March 26, 2013.

role in his return.<sup>5</sup> In August 2013, Rudd called elections for September 7, 2013. An August poll found the Liberal-National Coalition leading 51.5% to 48.5% over Labor based on preference votes being allocated as they were in the 2010 election. Tony Abbott is the leader of the Coalition. Australia has a voting system that reallocates first preference votes from the candidate with the least number of first preference votes to subsequent preferences if no one candidate wins 50% plus one in the first and subsequent rounds of vote counting.

### **Rudd's Worldview**

Rudd does not see an inherent contradiction in maintaining a strong alliance with the United States while also continuing to develop trade ties with China. While an advocate of the United States Rebalance to Asia Strategy, Prime Minister Rudd, a former diplomat who speaks Mandarin, has written in *Foreign Affairs* that the time has come for China and the United States to "... take stock, look ahead, and reach some long-term conclusions as to what sort of world they want to see beyond the barricades." Rudd sees the present as offering the United States and China a "unique window of opportunity to put the U.S. China relationship on a better course." Rudd also observed that to do this the two nations will need a "common conceptual framework and institutional structure."<sup>6</sup> When first Prime Minister, Rudd advocated an Asia Pacific Community concept, took an active role in Australia's foreign and defense policies, promoted the alliance with the United States, sent troops to Afghanistan, expanded Australian foreign assistance, supported a robust Defense White Paper, and promoted the G-20.<sup>7</sup> One of Rudd's key achievements was keeping the Australian economy in relatively better shape than most of the developed world during the global financial crisis. Rudd has also placed emphasis on Australia's relationship with Indonesia and other Asian nations.

### **Abbott's Worldview**

Liberal Party Leader Tony Abbott has reportedly suggested that Australia place renewed emphasis on "Anglosphere" countries in addition to Australia's focus on Asia in its external relations. This has been criticized by Foreign Minister Bob Carr as potentially being misunderstood by Asian countries and as a result potentially undermining Australian relations with Asia.<sup>8</sup> There appears to be support in Australia for close relations with Anglosphere countries:<sup>9</sup> in one poll on Australian attitudes towards select countries, Australians ranked Great Britain first with a rating of 77 and the United States 70, as compared with China, 54; Iran, 38; and North Korea, 31.<sup>10</sup> Ideological differences between the right-of-center Abbott and President Obama—differences that don't present themselves between Rudd and Obama—could potentially place limits on the degree of closeness between the leaders. That said, this would not likely affect the substance of the very close relationship between the two nations. Abbott, who has stressed the role of values as

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<sup>5</sup> Andrew Probyn, "Rudd Wrests ALP Leadership," *The West Australian*, June 27, 2013.

<sup>6</sup> Kevin Rudd, "Beyond the Pivot: A New Roadmap for U.S.-Chinese Relations," *Foreign Affairs*, March/April 2013.

<sup>7</sup> Graeme Dobell, "The Rudd Foreign Policy Legacy," *The Lowy Interpreter*, June 24, 2010.

<sup>8</sup> John Kerin, "Anglosphere Policy Would Hurt Asia Relations: Carr," *Financial Review*, June 27, 2013.

<sup>9</sup> The Anglosphere concept includes Australia, the United Kingdom, the United States, New Zealand, and Canada.

<sup>10</sup> "The Lowy Institute Poll 2013," <http://lowyinstitute.org>.

Australia engages the world, has reportedly speculated that the United States under President Obama is undergoing a period of “doubt and introspection.”<sup>11</sup>

## **Relations with the United States**

The United States–Australia bilateral defense and alliance relationship has remained strong even as it has evolved through several different strategic contexts over the past 100 years. 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 was forged 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 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 by sending Australian troops to serve in Iraq and Afghanistan. Australia and the United States also share a very deep and broad-based intelligence relationship.<sup>12</sup> The U.S.-Australia joint defense facilities aid in intelligence collection, ballistic missile early warning, submarine communications, and satellite-based communications.<sup>13</sup> Formal consultations include policy planning, political-military, and military-to-military talks.<sup>14</sup>

Australia has continued to have close defense ties with New Zealand as the United States has reestablished close defense relations New Zealand. The Wellington Declaration of 2010 and the Washington Declaration of 2012 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.<sup>15</sup> Australia and New Zealand continue to have close bilateral defense ties. Australia has been a strong partner in the global war against terror, while 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.<sup>16</sup>

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<sup>11</sup> “Rudd Puts on Foreign Policy Hat,” *AAP*, July 3, 2013.

<sup>12</sup> H.E. The Hon. Kim Beazley, Australian Ambassador to the United States, “On ANZUS Turning 60,” 2011 ANZAC Lecture, Georgetown University, April 20 2011.

<sup>13</sup> *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper 2009, Australian Government, Department of Defence, <http://www.defence.gov.au>.

<sup>14</sup> “The Australia-U.S. Alliance,” Department of Foreign Affairs and Trade, Government of Australia, <http://www.dfat.gov.au>.

<sup>15</sup> “US, New Zealand Sign Pact Ending 25-Year Rift,” *Voice of America*, November 4, 2011.

<sup>16</sup> *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper 2009, Australian Government, Department of Defence, <http://www.defence.gov.au>.

Former Secretary of State Hillary Clinton signaled, in her 2011 article “America’s Pacific Century,” that the United States 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.”<sup>17</sup> Vice President Biden reaffirmed the Obama Administration’s commitment to the rebalance to Asia strategy in a July 2013 speech at George Washington University.<sup>18</sup>

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. Former Prime Minister Gillard was also from the left of center 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.<sup>19</sup>

The close relationship between the two countries is demonstrated by the close people-to-people ties 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 Errol Flynn and more recently is demonstrated by Nicole Kidman, Russell 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, Dame Edna, 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.

## **AUSMIN**

At the core of the ANZUS alliance is the Australia-United States Ministerial (AUSMIN) process. The 2013 AUSMIN meeting is to be held in the United States. This annual meeting of the U.S. Defense Secretary and Secretary of State and their Australian counterparts, the Minister of Defence and the Minister of Foreign Affairs guides and shapes the alliance relationship.

At the 2012 AUSMIN meeting held in Perth, on Australia’s Indian Ocean coast, former Secretary of State Hillary Clinton, and former Defense Secretary Leon Panetta met with then Minister for Defence Stephen Smith and Foreign Minister Bob Carr and discussed issues related to the following priority areas. Clinton also met with former Prime Minister Gillard.

1. Protect and promote Asia Pacific security.
2. Support regional dialogue.
3. Advance global security.

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<sup>17</sup> Secretary of State Hillary Clinton, “America’s Pacific Century,” *Foreign Policy*, November 2011.

<sup>18</sup> “Remarks by Vice President Joe Biden on Asia-Pacific Policy,” Office of the Vice President, July 19, 2013.

<sup>19</sup> E.J. Dione, “Why We Didn’t Crash,” *The Washington Post*, August 24, 2009.

4. Promote global development.
5. Enhance our bilateral defense cooperation.<sup>20</sup>

The two nations also agreed to undertake a study of enhanced naval cooperation at locations around Australia including Australia's Indian Ocean base at *HMAS Sterling*.<sup>21</sup>

At the September 2011 meeting Secretary Clinton stated the "ties between our two nations are as close as any in the world," while then-Foreign Minister Rudd stated, "No one can overestimate the importance of the sharing of common values" when discussing the alliance.<sup>22</sup> President Obama has described Rudd as "... somebody who I probably share as much of a worldview as any world leader out there."<sup>23</sup>

The September 15, 2011, meeting in San Francisco of the Australia-U.S. Ministerial group marked the 60<sup>th</sup> anniversary of the ANZUS alliance at the same location where the treaty was signed. Former 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."<sup>24</sup>

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." A Lowy Institute poll of Australian public opinion found that 55% of Australians favor allowing the United States to base military forces in Australia.<sup>25</sup> 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.<sup>26</sup>

## **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.<sup>27</sup> President Obama's visit took place after the Asia Pacific

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<sup>20</sup> Office of the Spokesperson, U.S. Department of State, *AUSMIN 2012 Joint Communiqué*, November 14, 2012.

<sup>21</sup> Government of Australia, Department of Defence, *Defence White Paper 2013*, p. 10.

<sup>22</sup> "Transcript of Joint Press Conference with Defence Minister Stephen Smith, Foreign Minister Rudd, U.S. Secretary of State Hillary Clinton and U.S. Secretary of Defense Panetta," San Francisco, September 15, 2011.

<sup>23</sup> "I'm Just Like Rudd: Obama," *AAP*, April 16, 2010.

<sup>24</sup> U.S. Department of State, "U.S.-Australia Ministerial Consultations 2011 Joint Statement on Cyberspace," September 15, 2011.

<sup>25</sup> Fergus Hanson, "2011 Lowy Institute Poll," <http://www.lowyinterpreter.org>.

<sup>26</sup> "Australia-United States Defence Trade Cooperation Treaty: Fact Sheet," AUSMIN 2010.

<sup>27</sup> 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, (continued...)



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 its focus to 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.

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.<sup>28</sup> During an earlier visit to the United States in March 2011, former 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."<sup>29</sup> 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."<sup>30</sup>

During his visit to Australia, President Obama and former 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.<sup>31</sup> 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.

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2011.

<sup>28</sup> "Remarks by President Obama to the Australian Parliament," Parliament House, Canberra, Australia, November 17, 2011, Office of the Press secretary, The White House.

<sup>29</sup> "Australian Prime Minister Julia Gillard: 'There is a Reason America,'" *Los Angeles Times*, March 10, 2011.

<sup>30</sup> Catherine Hockley, "It's Third Time Lucky as Obama Ready to Visit," *The Advertiser*, October 14, 2011.

<sup>31</sup> Prime Minister, president of the United States, "Australia-United States Force Posture Initiatives," Office of the Prime Minister of Australia, November 16, 2011.

## 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.<sup>32</sup> 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.<sup>33</sup> 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.<sup>34</sup>

### 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 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:** 22 million

**Population growth rate:** 1.1%

**Urbanization:** 89%

**Literacy:** 99%

**Life expectancy at birth:** 82 years

**Health Expenditure:** 8.7% 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:** 3.6%

**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):** \$43,300

**Inflation:** 2.8%

**Unemployment:** 5.2%

**Exchange rate:** Roughly even with the US Dollar.

**Sources:** Australian Bureau of Statistics; CIA, *The World Factbook*; State Department Background Notes; Economist Intelligence Unit.

<sup>32</sup> Estimates vary from about 1% to 2.5%.

<sup>33</sup> 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>.

<sup>34</sup> For a history of the evolution of Australia's external relations see David Lee, *Australia and the World in the Twentieth Century* (Melbourne: Circa Publishers, 2006).

## 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 Australia. Queen Elizabeth II is represented by the Governor General Quentin Bryce. 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.<sup>35</sup> There is a growing republican movement in Australia that supports breaking with the British Crown.

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.

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.

## Australian Defense and Foreign Policy

The 2013 Defence White Paper, along with the 2013 National Security Strategy document and the 2012 Australia in the Asian Century Foreign Affairs White Paper, all completed under the former Gillard Government, represent the most recent published articulations of Australia's foreign and defense policy.<sup>36</sup> An underlying theme of these documents is the shift of economic and geopolitical power from West to East and the need for Australia to seek to shape the international environment in support of its strategic and economic interests. The 2013 Defence White Paper also placed emphasis on the Indo-Pacific as a strategic concept.

### Defense Policy

While the United States remains Australia's key strategic partner, Australia maintains other traditional security relationships, such as with New Zealand and the nations of the Five Power Defence Arrangements (FPDA), and is developing new security ties with countries such as Japan, Korea, and Indonesia.

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<sup>35</sup> U.S. Department of State, "Background Note: Australia," December, 2004, and Central Intelligence Agency, *The World Factbook, Australia*, June, 2005.

<sup>36</sup> Australian Government, Department of Defence, *Defence White Paper 2013*; Australian Government, Department of Prime Minister and Cabinet, *Strong and Secure: A Strategy for Australia's National Security*, 2013; and The Australian Government, Department of Defence, *Defence White Paper 2009*; and Australian Government, *Australia in the Asian Century*, Department of Prime Minister and Cabinet, October 2012.

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. 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.<sup>37</sup> Australian and New Zealand military forces continue to work together to promote regional stability in places such as Timor-Leste and the Solomon Islands.

Australia and New Zealand are also linked through the 1971 Five Power Defence Arrangements, 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 40<sup>th</sup> anniversary of the Arrangements.<sup>38</sup>

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; and peace operations and humanitarian relief operations.<sup>39</sup> The United States, Japan, and Australia initiated a trilateral security dialogue in 2002. The rise of China, tensions on the Korean Peninsula, and the war against terror all provide an impetus for security collaboration between these three partners.

Australia and South Korea recently held their first Foreign and Defense Ministers meeting, or 2+2, in July 2013. This is South Korea's second 2+2 dialogue. Its other 2+2 is with the United States. This effort to forge a closer bilateral partnership between Australia and South Korea is viewed by observers as an effort to foster enhanced cooperation between these two middle powers in Asia in a way that can promote their shared strategic interests in the region.<sup>40</sup>

Indonesia's geographic proximity and size make good relations with Jakarta a key foreign policy priority for Australia. Australia's relationship with Indonesia has at times been troubled. This was the case when Australia supported Timor-Leste's independence. Today, bilateral relations are 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.<sup>41</sup> 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.<sup>42</sup> Many Australians were killed in the 2002 Bali

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<sup>37</sup> "New Zealand Country Brief," Department of Foreign Affairs and Trade, November 2008.

<sup>38</sup> "Banyan: Echoes of Dreamland," *The Economist*, November 5, 2011.

<sup>39</sup> "Japan Country Brief," Department of Foreign Affairs and Trade, May 15, 2009.

<sup>40</sup> Lee Jaehyon and Joo Haeri, "A 2+2 for the Future: The First Korea-Australia Foreign and Defence Ministers' Meeting," The Asan Institute for Policy Studies, July 25, 2013.

<sup>41</sup> Hon. Stephen Smith MP, Minister for Foreign Affairs, "Launch of Australian Strategic Policy Institute Strategy Report on Indonesia," May 27, 2008, Parliament House, Canberra.

<sup>42</sup> "Indonesian Parliament Approves Papua Sovereignty Treaty with Australia," *BBC News*, November 29, 2007.

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.<sup>43</sup>

## **Foreign Policy**

### **Emphasis on Asia and the Pacific**

Many in Australia firmly believe that the 21<sup>st</sup> Century is an Asian Century and that this presents Australia with opportunity. The former Gillard Government commissioned a Foreign Policy White Paper *Australia in the Asian Century* which was published in 2012. The white paper was intended to present a roadmap to the nation for its engagement with Asia. Australia sees the global center of gravity shifting to its region thus eliminating a “tyranny of distance” that for much of Australia’s history left it isolated from global centers of commerce and power. The new perspective for Australia in this Asian Century, as outlined in the white paper, is the “prospect of proximity” and the opportunity that this presents.<sup>44</sup>

### **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. As discussed above, observers note that Rudd has relatively more focus on Asia while Abbott has placed emphasis on reinforcing ties with the Anglo-sphere nations.

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.

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<sup>43</sup> Department of Foreign Affairs and Trade, “Indonesia Country Brief,” June 2008.

<sup>44</sup> *Australia in the Asian Century*, Government of Australia White Paper, October 2012.

## Indonesia

Australia and Indonesia's bilateral relationship has been improving in recent years. Indonesian concerns over Australia's role in the independence of East Timor, which was formerly an Indonesian province, have moderated over time. Australia, under the United Nations, played a key role in assisting Timor-Leste to become an independent nation. The Timor-Leste military intervention by Australia, and others, was viewed negatively in Indonesia. Australia's generous post-2004 tsunami assistance helped improve relations between Australia and Indonesia. Australia and Indonesia held their second bilateral defense and foreign ministers, or 2+2, meeting in April 2013.<sup>45</sup> Some observers have called for increased bilateral maritime cooperation between Australia and Indonesia as growing naval forces in the Asia Pacific region may place increased emphasis on the strategic Malacca, Sunda, and Lombok Straits.<sup>46</sup>

## 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 improperly obtained commercial secrets related to China's iron and steel industry and violated Chinese law.<sup>47</sup> Hu was sentenced to seven years in prison in 2010.<sup>48</sup> The Chinese were also reportedly displeased with the visit to Australia of Rebiya Kadeer, an activist from China's Uighur minority. Chinese diplomats reportedly pressured organizers at the time to prevent her from appearing at a film festival in Melbourne and at the National Press Club.<sup>49</sup> Beijing was also reportedly displeased with Canberra over the 2009 Defence White Paper's questioning of Chinese intent behind its ongoing military modernization.<sup>50</sup> The tensions were added to previous Chinese concerns over former Prime Minister Howard and then-candidate Rudd's meeting with the Dalai Lama.<sup>51</sup>

## Japan

Over the last decade Australia has become a close security partner with Japan<sup>52</sup> although some in Japan reportedly have been concerned that Australia will place its relationship with China ahead of its relationship with Japan.<sup>53</sup> Under former Prime Minister 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

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<sup>45</sup> "Indonesia, Australia Boost Defence Ties," *BBC News*, April 4, 2013.

<sup>46</sup> Ristian Atriandi Supriyanto, "Australia-Indonesia: Towards a Maritime Strategic Partnership," RSIS, July 17, 2013.

<sup>47</sup> Jesse Riseborough, "China Charges Four Rio Executives with Bribery, Xinhua Says," *Bloomberg*, August 11, 2009.

<sup>48</sup> "Rio Tinto Executive Stern Hu Jailed for 10 Years in China," *Reuters*, March 29, 2010.

<sup>49</sup> Andrew Shearer, "The China Paradox," *The Wall Street Journal Asia*, August 19, 2009.

<sup>50</sup> Andrew Shearer, "The Thrill Is Gone: Australia Falls Out of Love with China," *The Weekly Standard*, August 31, 2009.

<sup>51</sup> Michael Sainsbury, "China's Billions for Gas," *The Australian*, August 19, 2009.

<sup>52</sup> Malcolm Cook, "The Quiet Achiever," Lowy Institute, January 2011.

<sup>53</sup> Daniel Flitton and K. Murphy, "Rudd's Arrival at G8 to renew Japanese Ties," *The Age*, July 8, 2008.

Security Dialogue among the United States, Japan, and Australia. Former 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."<sup>54</sup> 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.<sup>55</sup>

## **The 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.<sup>56</sup> 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.<sup>57</sup> Australia has led peace-keeping efforts in the region, including Timor-Leste and the Solomon Islands, indicating Australia's resolve to promote stability in the South Pacific.

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.<sup>58</sup>

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.<sup>59</sup> 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.

Australia's Regional Assistance Mission to the Solomon Islands (RAMSI) also 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

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<sup>54</sup> Stephen Smith, MP, Minister for Foreign Affairs, "A Modern Australia for a New Era," Sydney, April 9, 2008.

<sup>55</sup> Department of Foreign Affairs and Trade, Government of Australia, "Japan Country Brief," July 2008.

<sup>56</sup> "Our Near Abroad: Australia and Pacific Islands Regionalism," Australian Strategic Policy Institute, November 2011.

<sup>57</sup> Jenny Hayward-Jones, "The Pacific Islands and the World: The Global Economic Crisis," *Lowy Institute*, August 2009.

<sup>58</sup> "Australian PM Hints at Long-term Military Presence in East Timor," *BBC Monitoring Service*, June 19, 2003.

<sup>59</sup> "Turning Timor Oil Into Prosperity," *The Sydney Morning Herald*, July 11, 2005 and "East Timor PM Says Gas Deal with Australia is Fair," *BBC News*, July 8, 2005.

rioting and violence following the election of Prime Minister Snyder Rini.<sup>60</sup> 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.<sup>61</sup> These interventions, when taken in the context of Australia's involvement in East Timor and ongoing efforts to promote peace and good governance in Papua New Guinea, demonstrate Australia's commitment to promote stability in the region.

## Australia and Counterterrorism

Australia was the first country to offer its armed services to the International Coalition Against Terrorism (ICAT) and sent rotations of special forces troops plus regular troops to Afghanistan. This support stems from Australia's desire to support its treaty ally and from a shared perspective on Islamist extremist violence.<sup>62</sup>

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.<sup>63</sup>

## Economic and Trade Issues

The Australian economy is expected to grow by 2.6% in 2013. This is expected to rise to 3.1% a year on average for the period 2014-2017. The growth of resource exports plays a key role in Australia's economy with exports of metal ores and minerals rising. This in part was the result of a declining Australian dollar relative to the U.S. dollar in the first half of 2013 which improved export performance.<sup>64</sup>

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.<sup>65</sup> China became Australia's largest trade partner in 2009. Over the past decade Australia-China trade has increased dramatically. Most of this trade is due to Australian exports to China. Australia has prospered in recent years due to a significant extent on exports of commodities to Asia. Rudd reportedly wants

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<sup>60</sup> John Kerin, "Flying Squad to Quell Solomons Riots," *Financial Review*, April 20, 2006.

<sup>61</sup> "Forum Secretary General Praises Success of RAMSI," *PACNEWS*, July 16, 2009.

<sup>62</sup> Peter Finn, "Administration Makes Progress on Resettling Detainees," *The Washington Post*, August 20, 2009.

<sup>63</sup> Minister for Foreign Affairs Downer, "Counter-Terrorism Package," March 7, 2003.

<sup>64</sup> "Exports Maintain Recent Strength, Aided by a Weaker Dollar," *Economist Intelligence Unit*, July 3, 2013.

<sup>65</sup> Michael Evans, "U.S.-Australia Relations in Asia," Woodrow Wilson Center Asia Seminar, June 1, 2005.



a fresh sense of urgency to the FTA negotiations with China. An FTA with China could boost Australian agricultural exports but could also raise popular Australian concerns over Chinese ownership of Australian land.<sup>66</sup>

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 worsen in years ahead.

The Australia-United States Free Trade Agreement (AUSFTA) came into force on January 1, 2005. United States goods and services trade with Australia totaled \$60 billion in 2011. The United States goods and services trade surplus with Australia was \$27 billion in 2011. United States foreign direct investment (FDI) in Australia increased 10.3% to \$136.2 billion in 2011 from 2010 levels while Australian FDI in the United States increased 44.1% in 2011 to 55.9 billion over 2010 levels.<sup>67</sup> 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.

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<sup>66</sup> "Chinese FTA is an Early Focus for the New Prime Minister, Economist Intelligence Unit, June 28, 2013.

<sup>67</sup> Office of the United States Trade Representative, Australia, August 1, 2013, <http://www.ustr.gov/>.

Figure I. Map of Australia



Source: Map Resources. Adapted by CRS.

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