

Australia: Background and U.S. Relations

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Summary

The Commonwealth of Australia and the United States enjoy a very close alliance relationship. Australia shares many cultural traditions and values with the United States and has been a treaty ally since the signing of the Australia-New Zealand-United States (ANZUS) Treaty in 1951. Australia made major contributions to the allied cause in the First and Second World Wars, and the conflicts in Korea, Vietnam, Iraq, and Afghanistan. During his visit to Australia in 2011, President Obama announced the rotational stationing of U.S. Marines in northern Australia. This initiative and others, which are viewed as part of the United States' rebalance to Asia strategy, have continued to develop through the annual Australia-U.S. Ministerial (AUSMIN) process. A cornerstone of Australia's strategic outlook, which is shared by the leading political parties, is the view that the United States is Australia's most important strategic partner and is a key source of stability in the Asia-Pacific region. The ANZUS alliance also remains very popular with the Australian public.

While Australia has a complex array of 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 have constructive trade relations with China while maintaining its close strategic alliance relationship with the United States. However, a fundamental shift in the geostrategic architecture of Asia may be underway as regional states may be hedging against the perceived relative decline of U.S. power in the region. This is one interpretation of what is behind the recent strengthening of ties between Australia and Japan and between other regional powers in Asia. Australia also plays a key role in promoting regional stability in Southeast Asia and the Southwest Pacific, and has led peacekeeping efforts in the Asia-Pacific, including in Timor-Leste and the Solomon Islands.

Under the former Liberal Party 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 in the 2000s also led Australia to share many of the United States' concerns in the struggle against Islamist militancy in Southeast Asia and beyond. Australia is part of the global coalition to defeat the Islamic State (IS). There are renewed concerns in Australia about domestic Islamist terrorist threats due to the resurgence of Islamist militancy and in light of recent attacks in Paris and San Bernardino. Dozens of Australians are believed to have gone to fight for the Islamic State.

The Australian economy has done relatively well when compared with other developed economies in recent years. Its economic growth rate has been approximately one third faster than that of the United States over the past 20 years. Australia's developing trade relationship with China has been a key source of growth. However, there is an ongoing debate in Australia on where the Australian economy is headed as commodity prices slide and the "China boom" subsides. While profits from iron ore and other mineral exports to China may slow, other emerging exports including exports of Australian liquefied natural gas (LNG) potentially to a more diversified set of export partners may provide a continuing source of growth. Australia, which has signed free trade agreements with the United States, South Korea, Japan, and China, is a signatory of the 12-nation Trans Pacific Partnership (TPP) agreement that was concluded in October 2015. Despite criticism from some labor groups and economic interests, both major Australian political parties support the TPP arrangement.

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U.S.–Australia Relations: Background and Recent Developments

Australia's strategic position has moved from peripheral, as it was during the Cold War, to central as the globe's geopolitical center of gravity shifts to Asia and the Indo-Pacific region.¹ During the Cold War the Fulda Gap and Central Europe were of central concern to strategic analysts while today the Straits of Malacca and the maritime trade and energy routes of the Indo-Pacific are. While developments in the Middle East and Europe will continue to demand the attention of the United States and others, the potential for conflict in the Indo-Pacific region positions Australia in an increasingly strategic corner of the globe. Because of this, some have gone so far as to assert that the U.S.-Australia relationship may be the United States' "special relationship" of the 21st century.² At the 2011 Australia-U.S. Joint Ministerial (AUSMIN) meeting, then-Secretary of State Hillary 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.³ The Obama Administration announced in 2011 a "strategic rebalancing" of U.S. foreign policy priorities to the Asia-Pacific region, an approach that entails deeper diplomatic, economic, and security engagement with Asia-Pacific countries.

Australia, a traditionally staunch U.S. ally, has in recent years strengthened its long-standing alliance with the United States. This was demonstrated by former-Australian Prime Minister Tony Abbott's October 2014 decision to send eight Super Hornet fighter/bomber aircraft, 200 special forces and 400 support troops to the United Arab Emirates to join the coalition forming to halt the advance of Islamic State (IS) militants in Iraq.⁴ The United States and Australia share strategic interests in the Indo-Pacific region and globally and have worked closely together to promote their goals and objectives. Australia's worldview overwhelmingly sees the United States as a force for good in the world and in Australia's Indo-Pacific region. There is also strong bipartisan elite and popular support in Australia for bilateral defense cooperation with the United States.

¹ Rory Medcalf, "A Term Whose Time Has Come: The Indo-Pacific," *The Diplomat*, December 4, 2012. The Indo-Pacific is generally considered to encompass the Indian Ocean and western Pacific maritime and littoral regions.

² Jim Thomas, Zack Cooper, and Iskander Rehman, "Gateway to the Indo-Pacific: Australian Defense Strategy and the Future of the Australian Alliance," Center for Strategic and Budgetary Assessment, 2013.

³ "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.

⁴ "Islamic State: Abbott Warns Troops May Be Forced to Fire in Iraq," *ABC News*, September 17, 2014.

Australia's continuing emphasis on its relationship with the United States 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.⁵ While 31% of Australians polled in a 2014 public opinion survey by the Lowy Institute⁶ viewed China and Japan as Australia's "best friends" in Asia, 48% of those polled believe China is likely to become a military threat to Australia in the next 20

years. In the same Lowy Institute poll, the alliance with the United States was found to remain important to Australians, with 78% polled stating that it is either very important (52%) or fairly important (26%).⁷ A 2011 Lowy Institute poll of Australian public opinion found that 55% of Australians favored allowing the United States to base military forces in Australia.⁸ There appears to be support in Australia for close relations with Anglosphere countries.⁹ In one 2013 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, 31.¹⁰

Cultural Ties

The close relationship is also highlighted by the popularity of Australian performers, artists, and authors in the United States. The success of Australian actors and actresses in America dates back to Errol Flynn and more recently is demonstrated by Nicole Kidman, Cate Blanchett, Hugo Weaving, Mel Gibson, 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 popular in America, as are Australian authors such as Thomas Keneally, Jill Ker Conway, Peter Carey, Robert Hughes, Germaine Greer, and Patrick White.

U.S.-Australia Force Posture Agreement

Former-Prime Minister Tony Abbott met with President Barack Obama in Washington in June 2014. After their meeting they announced the U.S.-Australia Force Posture Agreement. In joint remarks with Abbott, Obama stated the following.

There are a handful of countries in the world that we always know we can count on, not just because they share our values, but we know we can count on them because they have real capacity. Australia is one of those countries. We share foundational values about liberal democracies and human rights, and a world that's governed by international law and norms. And Aussies know how to fight, and I like having them in a foxhole if we're in trouble.¹¹

Statements issued at the time also pointed to bilateral cooperation in the areas of cyber defense and cybersecurity incident response and expanded cooperation on ballistic missile defense (BMD) in the Asia-Pacific region.¹² A bilateral working group is to look at ways Australia can contribute to a BMD system.¹³ Such a system could network U.S., Australian, and allied assets to

⁵ "Australia," *The Economist Intelligence Unit*, Country Report, June 2013.

⁶ The Sydney-based Lowy Institute is one of the leading public policy institutions in Australia.

⁷ "The Lowy Institute Poll 2014," <http://lowyinstitute.org>.

⁸ Fergus Hanson, "2011 Lowy Institute Poll," <http://www.lowyinterpreter.org>.

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

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

¹¹ Office of the Press Secretary, The White House, "Remarks by President Obama and Prime Minister Abbott," June 12, 2014.

¹² The White House, Office of the Press Secretary, "The United States and Australia; An Alliance for the Future," June 12, 2014.

¹³ Brendan Nicholson, "Joint Plan to Take Out Missiles," *The Australian*, August 13, 2014.

increase shared capabilities and could potentially include the Australian Jindalee Over the Horizon Radar.¹⁴ (For more on BMD, see CRS Report R43116, *Ballistic Missile Defense in the Asia-Pacific Region: Cooperation and Opposition*, by (name redacted), (name redacted), and (name redacted).) The HMAS *Hobart* is the first of three Australian air warfare destroyers with the Aegis missile defense system. It is expected to come into service in 2016.¹⁵ The reported expansion of a base near Geraldton, West Australia, would upgrade access to a next generation military satellite communications system for U.S. and Australian troops to communicate worldwide.¹⁶

Under the Force Posture Agreement, U.S. forces in Australia are set to increase from 1,150 to 2,500 by 2017. The agreement provides a legal basis for the presence of U.S. Marines in the northern Australian city of Darwin—one of the key strategic pieces of the Asia rebalancing—and prepares the way for a rotational presence, and possible home porting, of U.S. Navy vessels and military aircraft in Western Australia in the years ahead. Some analysts viewed the signing of the Force Posture Agreement as marking a further “maturing and institutionalizing of a more robust U.S.-Australia security relationship.”¹⁷ In discussing the Force Posture Agreement, which has a 25-year time frame, the 2014 AUSMIN Joint Communiqué stated that it “demonstrates the United States’ strong commitment to the Asia Pacific and the Indian Ocean regions and Australia’s firm support for the U.S. rebalance” to Asia strategy. The communiqué also stated that AUSMIN “welcomed the larger U.S. Marine Corps presence” in Northern Australia and “discussed the way forward for enhanced aircraft cooperation” and “the potential for additional bilateral naval cooperation.” The communiqué discussed how the two nations were committed to working together on BMD and developing common approaches to regional security challenges. It also discussed the need to “harness opportunities for greater defense cooperation across the Asia-Pacific and Indian Ocean regions” and called for “upholding freedom of navigation and overflight in the East China and South China Seas” and “opposed unilateral attempts to change facts on the ground or water through the threat or use of force or coercion.”¹⁸

AUSMIN 2015

At the core of the ANZUS alliance is the Australia-United States Ministerial (AUSMIN) process. 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. In October 2015, Secretary of State John Kerry and Secretary of Defense Ashton Carter met with Australian Minister for Foreign Affairs Julie Bishop and Defence Minister Marise Payne in Boston for the 2015 AUSMIN consultations. The Joint Statement includes a number of principles, initiatives, and accomplishments in the areas of military cooperation, regional stability, counterterrorism, economic integration, and climate change. The two sides reaffirmed the “strong state of bilateral defense and security cooperation ... bolstered by more than a decade of operations together” in Afghanistan and Iraq and more recently through the Global Coalition to Counter the Islamic State. They reiterated their commitment to the implementation of the U.S. Force Posture Initiatives. The two defense leaders signed a Joint

¹⁴ John Kerin, “Iraq Leads the Agenda,” *Australian Financial Review*, August 14, 2014.

¹⁵ Greg Sheridan “US Plan to Fire From Our Ships,” *The Australian*, August 9, 2014.

¹⁶ C. Stewart, “Expansion of Remote Spy Base Will Catapult ADF into the Future,” *The Australian*, July 9, 2014.

¹⁷ Gregory Poling, “AUSMIN Takes the Long View of U.S.-Australia Security Cooperation,” CSIS Pacific Partners Initiative, August 28, 2014.

¹⁸ State Department Press Release, “Joint Communiqué AUSMIN 2014,” *Federal Information and News Dispatch*, August 12, 2014.

Statement on Defense Cooperation, which articulates the principles underpinning defense cooperation.¹⁹

The governments expressed “strong concerns” over Chinese land reclamation and construction activities in the South China Sea and called on all claimant states to “halt land reclamation, construction, and militarization.” They emphasized the importance of the “rights, freedoms, and lawful uses of the sea enjoyed by all states to fly, sail, and operate in accordance with international law.” The two countries called on the Association of South-East Asian Nations (ASEAN) and China to reach agreement on a “substantive” Code of Conduct in the South China Sea. They also reaffirmed the importance of a constructive relationship with China through “dialogue, cooperation, and economic engagement.”²⁰

The United States and Australia emphasized their commitment to enhancing trilateral cooperation with Japan and jointly recognized India’s strategic and economic importance. They explored ways to cooperate on security and development issues in the South Pacific. In other areas, the United States and Australia welcomed the conclusion of the Trans-Pacific Partnership (TPP) Agreement and resolved to work toward an “ambitious climate agreement” at the Conference of Parties to the United Nations Framework on Climate Change in Paris. The two sides pledged to advance information sharing and interoperability in cyberspace in order to combat cybercrimes.²¹

2015 International Forums: G-20 Meeting, APEC Summit, and Climate Change Conference

The G-20 Meeting in Antalya, Turkey; Asia Pacific Economic Cooperation (APEC) summit in Manila, Philippines; and United Nations Climate Change Conference in Paris, France, in November-December 2015 provided Liberal Party leader and Prime Minister Malcolm Turnbull with an opportunity to signal directions on key policies as compared to his predecessor and former Liberal Party leader Tony Abbott. At the Asia Pacific Economic Cooperation (APEC) summit in Manila, Philippines, in November 2015, President Obama extended an invitation to Prime Minister Turnbull to visit the White House,

Australia at a Glance

Government: Parliamentary democracy and federal state system
Leadership: Prime Minister Malcolm Turnbull
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: 22.7 million
Population growth rate: 1%
Urbanization: 89%
Literacy: 99%
Life expectancy at birth: 82 years
Ethnic groups: Caucasian 92%, Asian 7%, aboriginal 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.
Key exports: Coal, iron ore, gold, meat, wool, alumina, wheat, machinery and transport equipment
Export Partners: China 33.7%, Japan 18%, South Korea 7.4%, United States 4.2%.
Land use: arable 6.16%,
GDP growth: 2.3%
Unemployment: 6.2%
GDP per capita: US\$46,600
Labor force: agriculture 3.6%, industry 21.1%, services 75%
Inflation: 2.0%
Exchange rate: .72 USD = 1 AUD
Sources: CIA, *The World Factbook*; *Economist Intelligence Unit*.

¹⁹ “2015 Australia-United States Ministerial (AUSMIN) Joint Statement, Washington DC, October 13, 2015, <http://www.state.gov/r/pa/prs/ps/2015/10/248170.htm>.

²⁰ Ibid.

²¹ Ibid.

which the Australian Prime Minister accepted. The U.S. visit reportedly is likely to take place in late January 2016.

In contrast to former Prime Minister Tony Abbott and former Australian Defense Minister Kevin Andrews, Turnbull has expressed reluctance to deploying Australian special forces troops in the fight against the Islamic State.²² At the APEC summit, Obama and Turnbull met for the first time and discussed the IS threat and South China Sea disputes. They agreed on the need to promote inclusive policies toward Muslim communities in their countries and on the position that South China Sea territorial disputes should be resolved in a peaceful manner through international law.²³

In contrast to Abbott, Turnbull supports greater action on climate change. However, he has disappointed some Australian critics and environmentalists as well as neighboring Pacific Island countries for not supporting stronger carbon emissions reductions. At the same time, he faces opposition within his own Liberal Party to raising emissions reduction targets in Australia. At the December 2015 Paris climate talks, where Turnbull gave a speech, Australia did not sign an international statement supporting the elimination of government subsidies for fossil fuels. However, Turnbull has pledged investment in renewable energy in Australia, lifted Abbott's ban on state investment in wind power, and redirected \$800 million in foreign aid money to help low-lying Pacific Island nations cope with rising sea levels.²⁴

History and Politics

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.²⁵ While the Aboriginal population were hunter-gatherers, they developed a complex spiritual "Dreamtime"²⁶ 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.²⁷ 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 22.7 million. Australia has for some time been undergoing a national identity debate related to its relationships

²² David Wroe, "Turnbull Resists Terror 'Machismo'," *The Age*, November 25, 2015.

²³ Katharine Murphy, "Malcolm Turnbull and Barack Obama Hold First Meeting and Promise to 'Ramp Up' Fight against ISIS," *The Guardian*, November 17, 2015.

²⁴ "Pacific Island Nations Accuse Australia of Failing to 'Bat for Neighbors,'" *PACNEWS*, December 1, 2015; "Aust Won't Sign Fossil Fuel Deal," *Business Spectator-Online*, December 1, 2015; Brett Foley, "Australia Ends Abbott's War on Wind as Paris Poses Climate Test," *Bloomberg Business*, December 12, 2015.

²⁵ Estimates vary from about 1% to 2.5%.

²⁶ The Dreamtime refers to the Australian Aboriginal peoples' spiritual framework of belief.

²⁷ 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>.

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.²⁸

Government Structure

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 Sir Peter Cosgrove. 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. Since World War II, the center-right Coalition and Labor each have ruled Australia for roughly four periods, but the Coalition has had more years in power. There is a growing republican movement in Australia that supports breaking with the British Crown.

Table 1. Australian Senate Composition

Political Parties	Senate Seats
Coalition	33
Australian Labor Party	25
Greens	10
Palmer United Party	1
Independents	4
Liberal Democratic Party	1
Family First	1
Australian Motoring Enthusiast Party	1

Source: Parliament of Australia, <http://www.aph.gov.au>.

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 also are 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.

²⁸ 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).

Political Developments

The Liberal-National Party Coalition returned to power in 2013 under the leadership of Tony Abbott, following six years of Labor Party rule. Abbott advocated eliminating the Labor government's tax on carbon emissions, reducing government spending, and stopping refugee boats from coming to Australian shores. In September 2015, the Liberal Party ousted Tony Abbott as its leader and elected longtime rival Malcolm Turnbull, making him the fifth Australian prime minister in eight years. While Abbott had succeeded in repealing the unpopular carbon tax, other policy initiatives, such as cuts in health care and education aimed at balancing the budget, encountered popular and political opposition. Turnbull's more progressive outlooks on such issues as climate change, gay marriage, and Australia's status within the British commonwealth reportedly were popular with many Australians, if not with some members of his own party. In November 2015, Turnbull formally abolished the awarding of knighthoods and damehoods to prominent Australians. Abbott had reintroduced the practice in 2014 after a hiatus of 30 years.²⁹

The Alliance

The ANZUS Alliance and Changing Strategic Contexts

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.³⁰ 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 the expansion of Japanese naval power. The defense relationship was forged when the two nations fought together on the Western Front in World War I. There 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 invoked 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.³¹ The U.S.-Australia joint defense facilities aid in intelligence collection, ballistic missile early warning, submarine

²⁹ "Australia Gets New Prime Minister as Tony Abbott Loses Out to Rival Malcolm Turnbull," *South China Morning Post*, September 14, 2015; Jonathan Pearlman, "Australia's New Republican PM Malcolm Turnbull Abandons Knighthoods," *The Telegraph*, September 20, 2015.

³⁰ Understanding why U.S. strategic relationships in Asia have endured beyond the Cold War is the subject of a study supported by the East West Center. See William Tow, "Understanding the Persistence of American Alliances and Partnerships in the Asia Pacific," East West Center, *Asia Pacific Bulletin*, August 14, 2014. The Alliance 21 project at the United States Studies Centre at the University of Sydney and the Australian-American Leadership Dialogue are two independent organizations that help promote knowledge and understanding of the bilateral relationship.

³¹ H.E. The Hon. Kim Beazley, Australian Ambassador to the United States, "On ANZUS Turning 60," 2011 ANZAC Lecture, Georgetown University, April 20 2011.

communications, and satellite-based communications.³² Formal consultations include policy planning, political-military, and military-to-military talks.³³

Australia continues to have close defense ties with New Zealand as the United States has reestablished close defense relations with New Zealand. The U.S.–New Zealand leg of the ANZUS alliance had been suspended as a result of differences over nuclear policy in the mid-1980s. The Wellington Declaration of 2010 and the Washington Declaration of 2012 signaled that the United States and New Zealand have overcome past differences over nuclear policy. These declarations established a new strategic partnership between the United States and New Zealand and provide for enhanced cooperation on a range of areas including enhanced military cooperation.³⁴

The U.S. rebalance to Asia strategy has also placed renewed emphasis on the alliance. Former Secretary of State Hillary Clinton signaled, in her 2011 article “America’s Pacific Century,” that the United States must make the Asia-Pacific region 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.”³⁵

U.S. Arms Sales to Australia

Australia has traditionally bought most of its major weapons systems from the United States. Approximately 50% of Australia’s war-fighting assets are sourced from the United States.³⁶ Most recently, this includes the purchase of the F-35A Joint Strike Fighter aircraft. Australia announced in April 2014 that it would buy 58 F-35A fighters at a cost of \$11.5 billion. This purchase is in addition to a previously announced decision by Australia to buy 14 F-35As. These 72 aircraft are to replace Australia’s F/A-18A/B Hornet aircraft.³⁷ Over the past decade Australia has also agreed to purchase the EA-18G Growler, the P-8A Poseidon maritime surveillance aircraft and the E-7A Wedgetail early warning aircraft. These purchases help American defense firms and improve bilateral interoperability with U.S. armed forces. In 2015, Australia received two additional Boeing C-17 strategic transport aircraft as part of a \$713 million purchase.³⁸

³² *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper 2009, Australian Government, Department of Defence, <http://www.defence.gov.au>.

³³ “The Australia-U.S. Alliance,” Department of Foreign Affairs and Trade, Government of Australia, <http://www.dfat.gov.au>.

³⁴ “US, New Zealand Sign Pact Ending 25-Year Rift,” *Voice of America*, November 4, 2011. *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper 2009, Australian Government, Department of Defence, <http://www.defence.gov.au>.

³⁵ Secretary of State Hillary Clinton, “America’s Pacific Century,” *Foreign Policy*, November 2011.

³⁶ “Australia-United States Defence Trade Cooperation Treaty: Fact Sheet,” AUSMIN 2010.

³⁷ Nigel Pittaway, Australian Buy Comes at Key Time for F-35 Program,” *Defense News*, April 28, 2014.

³⁸ Andrew Greene, RAAF to Receive Two More C-17 Globemaster Planes In Billion-Dollar Defence Purchase, ABC News, April 20, 2015.

Australia's Strategic Outlook

Recent published articulations of the Australian government's foreign and defense policy emphasize 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.³⁹ A fundamental shift in the geostrategic architecture of Asia may be underway as regional states, including Australia, hedge against the perceived relative decline of U.S. power in the region by exploring multilateral as well as bilateral security relationships.⁴⁰ A Lowy Institute paper by Rory Medcalf and Raja Mohan observed that middle powers in Asia—including Australia, India, Japan, and others—are looking beyond traditional approaches to security and expanding security cooperation with each other. Some observers view this as a reaction to the rise of China and regional states' uncertainty over America's future role in the region. The two authors argue that such middle power ties could “build regional resilience against the vagaries of U.S.-China relations” and “reinforce the multipolar quality of the emerging Indo-Pacific order” while “encouraging continued U.S. engagement without unduly provoking China.”⁴¹

Such developments mark change in the regional security architecture which has been grounded in the post-war San Francisco “hub-and-spoke” system of U.S. alliances. This shift towards increasing reliance by middle powers in Asia on each other could build on and complement these states' ties with the United States. Alternatively, emphasis on middle power ties in Asia could proceed without the United States playing a central role. The search for new security mechanisms in Asia appears, in the view of some analysts, to mark declining faith that economic interdependence and existing regional institutions will succeed in preventing regional conflict in the future. The continuing strength of the ANZUS alliance in this context may well point to the importance of shared values, as well as interests, in alliance relations.

Strategic Geography

Despite Australia's close ties with Anglosphere countries, many in Australia firmly believe that the 21st Century is an Asian Century and that this presents Australia with opportunity. The former Gillard Government's 2012 Foreign Policy White Paper *Australia in the Asian Century* was intended to present a roadmap to the nation for its engagement with Asia. Australia sees the global center of gravity shifting to its Indo-Pacific 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 is the “prospect of proximity” and the opportunity that this presents.⁴²

³⁹ See Australian Government, Department of Defence, “Defence Issues Paper: A Discussion Paper to Inform the 2015 Defence White Paper,” 2014; 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 Australian Government, *Australia in the Asian Century*, Department of Prime Minister and Cabinet, October 2012; and The Australian Government, Department of Defence, “Defence White Paper 2009.”

⁴⁰ William Tow and Brendan Taylor eds., *Bilateralism, Multilateralism and Asia-Pacific Security* (Abingdon: Routledge Publishers, 2013). See also William Tow and Rikki Kersten eds., *Bilateral Perspectives on Regional Security: Australia, Japan and the Asia-Pacific Region* (London: Palgrave MacMillan, 2012).

⁴¹ Rory Medcalf and Raja Mohan, *Responding to Indo-Pacific Rivalry: Australia, India and Middle Power Coalitions*, Lowy Institute, August 2014.

⁴² *Australia in the Asian Century*, Government of Australia White Paper, October 2012.

The Indo-Pacific

Linkages of trade and energy, as well as changes in the correlates of power, are reshaping cognitive maps of the strategic geography of the Indo-Pacific region. This new thinking is also bringing together American and Australian conceptions of their strategic environment. The 2013 Australian Defence White Paper departed from previous articulations of Australia's strategic geography and included a "categorical shift towards identifying Australia's region of strategic interest as something called the Indo-Pacific."⁴³ The United States rebalance to Asia strategy has similarly brought the Indian Ocean into strategic discussions that earlier would have been more exclusively focused on strategic dynamics in Northeast Asia and to a lesser extent Southeast Asia. The importance of mineral and hydrocarbon reserves in West Australia and off Australia's Northwest coast are in part refocusing Australia's strategic gaze towards the Indian Ocean region. The United States' appreciation of the strategic importance of India, as well as the trade and energy routes that transit the Indian Ocean, are increasingly focusing the United States on this same strategic geography. Evidence of this can be seen in the various documents that articulated the rebalance to Asia strategy as well as in the 2014 AUSMIN Joint Communiqué. The document declared an intention to "work with India to expand trilateral cooperation, including on shared challenges such as maritime security, energy security, and ensuring economic growth." The document also recognized the importance of the Indian Ocean Rim Association (IORA) and the Regional Cooperation Agreement on Combating Piracy and Armed Robbery Against Ships in Asia.⁴⁴ Shifts in Asian power dynamics and shared interests in ensuring freedom of the seas are bringing Australia and India closer together at the same time that the United States has focused more attention on India and the Indian Ocean region.⁴⁵

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). A core identity of the Australian military and broader Australian culture is the ANZAC legend. ANZAC refers to the Australia New Zealand Army Corps 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.⁴⁶ Australian and New Zealand military forces have worked together to promote regional stability in places such as Bougainville, 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 and two other former British colonies, Malaysia and Singapore. The FPDA, which was established in the context of Britain's plans to withdraw

⁴³ Rory Medcalf, "In Defence of the Indo-Pacific: Australia's New Strategic Map," *Australian Journal of International Affairs*, Vol. 68, No. 4, 2014.

⁴⁴ State Department Press Release and Documents, "Joint Communiqué AUSMIN 2014," *Federal Information & News Dispatch*, August 12, 2014.

⁴⁵ David Brewster, "The India-Australia Security Engagement: Opportunities and Challenges," Gateway House Research Paper no. 9, October 2013.

⁴⁶ "New Zealand Country Brief," Department of Foreign Affairs and Trade, November 2008.

forces from east of the Suez, has, in the view of some, proven to be surprisingly durable. Large-scale exercises were held by member states to mark the 40th anniversary of the Arrangements.⁴⁷

Two key themes which have informed debates over Australian defense policy in the past are forward defense and continental or mainland defense, which has placed relative emphasis on defending the Australian continent within an alliance context. The 2014 Defence Issues Paper observed that while “the ability to prevent and deter attacks on Australia ... remains a cornerstone” more recently “a more globalised and inter-connected world has emerged in which Australia has broad and far-reaching interests.”⁴⁸

In its 2014/15 budget, the Australian government reaffirmed its commitment to grow defense spending to 2% of GDP within a decade. The budget provided A\$29.2 billion in 2014/15 for defense.⁴⁹ It has been observed that, to reach the target of 2% of GDP, defense spending would have to increase by almost 5% each year in real terms for a decade, which is unprecedented in Australia in peacetime.⁵⁰

Defense White Paper

In April 2014, it was announced that the Australian government would produce a new defense white paper that would “guide Australia’s defence capability for the coming decades” and “align defence policy with military strategy and deliver an affordable Australian Defence Force structure.” The government also announced that a fully costed Force Structure Review would underpin the defense white paper and that an external panel of experts would provide independent advice to the Minister for Defence. The release of the document, delayed in part by the change in government in 2015, is expected in 2016.⁵¹ Key topics to be addressed, as identified in the 2014 Defence Issues Paper, include challenges and threats to Australia’s security and strategic interests; objectives for the Australian Defence Force (ADF) to meet these challenges and threats; Australia’s relationships with other countries and international organizations in the Pacific region and beyond; priorities for capability investment and industry’s contribution to national security; and investment in people and opportunities to enhance defense culture.⁵² The global security challenges facing Australia include China’s land reclamation activities in the South China Sea, Russia’s military and strategic actions in Eastern Europe and the Middle East, and IS terrorism in the Middle East and elsewhere.⁵³

⁴⁷ “Banyan: Echoes of Dreamland,” *The Economist*, November 5, 2011.

⁴⁸ Department of Defence, *Defence Issues Paper: A Discussion Paper to Inform the 2015 Defence White Paper*, Australian Government, 2014, pp. 5-6.

⁴⁹ Minister for Defence, “Defence Budget Overview, 2014-15,” <http://www.defence.gov.au/2014>.

⁵⁰ Hugh White, “Defence Challenge: Reconciling Australia’s Warfare Shopping List with Reality,” *Canberra Times*, April 28, 2014.

⁵¹ “2015 Defence White Paper,” <http://www.defence.gov.au/whitepaper/>; Australian Government Department of Defence, *Defence White Paper*, <http://www.defence.gov.au/Whitepaper/default.asp>.

⁵² Department of Defence, “Defence Issues Paper: A Discussion Paper to Inform the 2015 Defence White Paper,” Australian Government, 2014.

⁵³ Geoffrey Barker, “Delayed White Paper a Key Test,” *The Australian Financial Review*, November 25, 2015.

Foreign 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 at one end 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 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. Former Prime Minister Abbott's emphasis on reinforcing ties with Anglosphere nations—as well as reactions against this—demonstrates how this debate continues.

These debates over identity are real to many Australians. Although Australia is a large continent, its population of 22.7 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 traditionally led to an existential fear by some 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-European Australian identities. Increasing Asian immigration is also changing the face of Australia. Australia's shifting trade patterns continue to draw it closer to Asia even as it has not fully reconciled what this means for its identity.

Indonesia

Australia and Indonesia's bilateral relationship has historically been subject to various tensions. These date back to Australia's military deployment in support of Malaysia during Indonesia's period of *Konfrontasi* in the mid-1960s. While the relationship has gone through many ups and downs since, outgoing Indonesian President Susilo Bambang Yudhoyono and the Abbott government moved to put past differences behind them and open the way for more positive relations. This has created an opportunity for a return to positive bilateral relations under the new Indonesian President Joko Widodo. In November 2015, Prime Minister Turnbull briefly visited Indonesia in an effort to help mend relations following a troubled year in bilateral relations. Strains included the Indonesian executions of two Australian drug smugglers and the Abbott government's rejection of asylum seekers mostly from the Middle East, South Asia, and Myanmar who had traveled by boat from Indonesia headed towards Australia. During a half day of what President Widodo referred to as "warm and productive" meetings, Turnbull and the Indonesian President discussed trade, tourism, Australian investment in Indonesia, and other topics.⁵⁴

Indonesian concerns over Australia's role in the independence of the former Indonesian Province of East Timor (now Timor-Leste) following a referendum of 1999 have moderated over time. Australia, under the United Nations, played a key role in assisting Timor-Leste to become an

⁵⁴ Joe Cochrane, "Malcolm Turnbull of Australia and Joko Widodo of Indonesia Seek to Mend Ties," *New York Times*, November 12, 2015.

independent nation. The Timor-Leste military peacekeeping intervention by Australia and other countries was viewed negatively by many in Indonesia. Australia's post-2004 tsunami assistance to Indonesia helped improve relations between Australia and Indonesia. Australian foreign assistance to Indonesia is expected to increase from A\$601.6 million in 2013/14 to A\$605.3 in 2014/15.⁵⁵

Tensions rose more recently in the wake of revelations that Australian intelligence listened to the cell phone conversations of President Yudhoyono and his inner circle in 2009.⁵⁶ Related tensions abated somewhat following a June 2014 meeting between Abbott and Yudhoyono and through the signing of a code of conduct agreement between the two nations in 2014.⁵⁷ The agreement is hoped to open the way for future enhanced cooperation between the two nations. Australia and Indonesia's cooperation on security matters is underpinned by the Lombok Treaty of 2006. The two nations also signed a Defence Cooperation Arrangement in 2012.⁵⁸ President Yudhoyono stated in August 2014 that "in my view there is plenty of room for increased defense cooperation."⁵⁹

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.⁶⁰ Australia's policy to turn back boats of illegal immigrants could once again become an area of tension in this bilateral relationship. President Joko Widodo has emphasized the importance of developing Indonesia's identity as a maritime nation.⁶¹ This may present Australia with positive opportunities to engage Indonesia.

Australia and Indonesia have worked together closely to investigate terrorist attacks in Indonesia. Former Indonesian President Yudhoyono largely shares Australia's and the West's view of IS. "We do not tolerate it, we forbid ISIS in Indonesia." It has been reported that as many as 200 Indonesians are believed to have joined IS forces in Syria and Iraq.⁶² Other estimates vary from 50 to 500 Indonesians who have gone to fight with IS. Australian Justice Minister Michael Keenan, while in Semarang to mark the 10th anniversary of the jointly operated Jakarta Center for Law Enforcement Cooperation (JCLEC), stated that Indonesia is responding appropriately to this emerging threat.⁶³ Australia committed A\$36.8 million to support the JCLEC between 2004 and 2009.⁶⁴ Australia has particular concern with terrorism in Indonesia due to past attacks against the Australian Embassy in Jakarta in 2004 as well as attacks which killed Australians in Bali, Indonesia, in 2002 and 2005.

⁵⁵ "Indonesia," Department of Foreign Affairs and Trade, <http://aid.defat.gov.au>.

⁵⁶ "Australian Spies Tried to Tap Indonesian President's Phone Calls," *Reuters*, November 17, 2014.

⁵⁷ Department of Foreign Affairs and Trade, "Joint Understanding on a Code of Conduct Between the Republic of Indonesia and Australia," August 28, 2014.

⁵⁸ Department of Foreign Affairs and Trade, "Indonesia Country Brief," <http://dfat.gov.au>.

⁵⁹ Greg Sheridan, "A New Chapter for Best of Friends," *The Australian*, August 23, 2014.

⁶⁰ Ristian Atriandi Supriyanto, "Australia-Indonesia: Towards a Maritime Strategic Partnership," RSIS, July 17, 2013.

⁶¹ Brian Harding, "Jokowi's Big Maritime Plans for Indonesia Need International Support," *World Politic Review*, September 3, 2014.

⁶² Greg Sheridan, "SBY: Unite to Combat Extremism," *The Australian*, August 21, 2014.

⁶³ Peter Alford, "Minister Backs Jakarta's Approach to Returned Islamist Fighters," *The Australian*, August 21, 2014.

⁶⁴ "About LCLEC," Jakarta Center for Law Enforcement Cooperation, May 12, 2005, <http://www.jclec.com>.

China

Bilateral relations between Australia and China are based on a strong trade relationship that has benefitted both countries. Trade with China has contributed much to Australia's economic success in recent years. There is broad support in Australia for a strong economic relationship with China. There is also unease in some policy circles in Australia with China's increasingly assertive posture in the region. In June 2015, Australia and China formally signed a free trade agreement (FTA). Australian backers argued that the arrangement would promote exports of Australian agricultural goods, wine, and services to China. Some trade unions and others criticized the FTA, saying that it would bring more Chinese manufactured products and investment into Australia, thereby threatening local jobs and economic interests in some sectors. Some observers expressed concern that Australia's growing economic dependence upon China may bolster China's strategic influence.⁶⁵ In March 2015, Australia joined China's Asian Infrastructure Investment Bank AIIB as a founding member with a contribution of \$718 million, despite concerns, particularly in the United States and Japan, about the bank's governance and transparency standards and China's growing regional influence. The bank, which has 57 member countries, including many developed economies in Asia and Europe, rivals multilateral financial institutions such as the World Bank and the Asian Development Bank.⁶⁶

In July 2014, Australian Foreign Minister Julie Bishop broke with what some perceive to be the previous governments' reticence to speak frankly about China and stated, "China doesn't respect weakness."⁶⁷ This comment followed Australian concerns over China's unilateral declaration of an Air Defense Identification Zone in November 2013. In an interview, Bishop stated, "We know that the optimum is deeper engagement [with China]. But we're also clear eyed about what could go wrong. So you have to hope for the best but manage for the worst."⁶⁸ Some in Australia have viewed this as a recalibration, or clarification, of Australia's relationship with China.⁶⁹ Australia and China held their 17th Defence Strategic Dialogue in December 2015 in Canberra. The two sides discussed counterterrorism cooperation and peacekeeping training and engaged in a "direct and blunt" exchange over China's island-building in the South China Sea.⁷⁰

The key alternative narrative to the mainstream view that Australia does not have to choose between a strong alliance relationship with the United States and a strong trade relationship with China is most clearly articulated by Hugh White of the Australian National University.⁷¹ White argues that accommodation and power sharing by the United States with China in Asia would reduce the chance for war between the United States and China.⁷² White sees continuing competition between China and the United States for primacy in Asia as leading to increasing chances for conflict.⁷³

⁶⁵ Daniel Hurst, "China and Australia Formally Sign Free Trade Agreement," *The Guardian*, July 4, 2015; "Australia and China Reach Free Trade Agreement," *Center for Strategic and International Studies*, November 18, 2014.

⁶⁶ "Australia to Join China-Led AIIB as Founding Member," *BBC News*, June 24, 2015.

⁶⁷ John Garnaut, "Tough Line on China," *Sydney Morning Herald*, July 10, 2014.

⁶⁸ John Garnaut, "Why Did a Chinese Paper Call Julie Bishop a Complete Fool?" *Sydney Morning Herald*, July 15, 2014.

⁶⁹ "Bishop Checks China Drift," *The Canberra Times*, July 11, 2014.

⁷⁰ David Wroe, "Australian, Chinese Officials' Tough Talk," *Sydney Morning Herald*, December 3, 2015.

⁷¹ Hugh White, *The China Choice* (Oxford: Oxford University Press, 2013).

⁷² Hugh White, "Australia's Choice," *Foreign Affairs*, September 4, 2013.

⁷³ Jane Perlez, "Hugh White on the China Choice," *The New York Times*, October 16, 2014.

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 2010 imprisonment of 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.⁷⁴ China was 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.⁷⁵ Beijing was also reportedly displeased with Canberra over the 2009 Defence White Paper's questioning of Chinese intent behind its ongoing military modernization.⁷⁶ The tensions were added to previous Chinese concerns over former Prime Minister Howard and then-candidate Rudd's meeting with the Dalai Lama.⁷⁷

Japan

Australia has become an increasingly close security partner with Japan.⁷⁸ This developing strategic relationship was promoted by former Prime Minister Abbott and elevated during Prime Minister Shinzo Abe's visit to Canberra in July 2014. During his speech to a special joint sitting of the Australian Parliament Prime Minister Abe stated, "There are many things Japan and Australia can do together by each of us joining hands with the United States, an ally for both our nations."⁷⁹ At the time of the Abe visit to Canberra, then-Australian Defence Minister David Johnston indicated that Australia wanted to strengthen three-way defense cooperation with Japan and the United States.

The Abe speech was significant in that it marked both Japan's effort to change the legal basis for its defense policies (to enable collective self-defense) and its desire to develop its network of strategic relationships. "Japan is now working to change the legal basis for its security ... so we can act jointly with other countries in as many ways as possible.... Let us join together all the more in order to make vast seas from the Pacific Ocean to the Indian, and those skies, open and free." In the view of one Australian observer, Abe's address was a strategic landmark "which illuminates how Japan and Australia are leading the creation of a regional coalition to hedge against China, with—but also without—the United States."⁸⁰

In an effort to put World War II history to rest, Prime Minister Abe offered "sincere condolences" to Australian troops who suffered at Kakoda and Sandakan during the war. Reportedly 2,345 Australian prisoners of war were killed at Sandakan.⁸¹ During WWII Japan attacked the Australian mainland including air attacks on Darwin and a submarine attack on Sydney Harbor.

⁷⁴ Jesse Riseborough, "China Charges Four Rio Executives with Bribery, Xinhua Says," *Bloomberg*, August 11, 2009. "Rio Tinto Executive Stern Hu Jailed for 10 Years in China," Reuters, March 29, 2010.

⁷⁵ Andrew Shearer, "The China Paradox," *The Wall Street Journal Asia*, August 19, 2009.

⁷⁶ Andrew Shearer, "The Thrill Is Gone: Australia Falls Out of Love with China," *The Weekly Standard*, August 31, 2009.

⁷⁷ Michael Sainsbury, "China's Billions for Gas," *The Australian*, August 19, 2009.

⁷⁸ Malcolm Cook, "The Quiet Achiever," Lowy Institute, January 2011.

⁷⁹ Mark Kenny, "Japan Declares It Is Ditching Pacifist Stance," *The Canberra Times*, July 9, 2014.

⁸⁰ John Garnaut, "Abe Speech All About the Nation That Must Not Be Named," *The Sydney Morning Herald*, July 9, 2014.

⁸¹ Brendan Nicholson, "Sincere Condolences for Kakoda and Sandakan," *The Australian*, July 9, 2014.

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.⁸² The United States, Japan, and Australia have conducted a trilateral security dialogue since 2002.

Submarine Replacement Project

There was speculation that declarations of Australian-Japanese strategic partnership made in Canberra in 2014 would be followed up with a substantive increase in defense trade, including the Australian purchase of 8 to 12 Japanese *Soryu class* diesel engine submarines to replace the *Collins-class* fleet. According to some experts, purchasing “off the shelf” submarines from Japan would be far less costly than building Australian-designed submarines, which by some estimates would cost significantly more.⁸³ In 2015, the Coalition government opened the bidding process to Japanese, French, and German companies, despite complaints by Australian industrial and labor interests and some military experts. Government options include acquiring the vessels from overseas, contracting the Australian Shipbuilding Corporation to build them, or producing a hybrid version. The government plans to make its decision in 2016.⁸⁴

India

The signing of a deal to export uranium from Australia to India during a visit to India by former Prime Minister Abbott in September 2014 has the potential to create an opening for a significant expansion of bilateral relations between the two nations.⁸⁵ Australia-India relations have not been extensive despite periodic Australian studies discussing the importance of bilateral relations with India.⁸⁶ The Cold War, post-colonial attitudes, and India’s preferences for the Non Aligned Movement (NAM) all played a part in this. More recently, bilateral relations were damaged in 2009-2010 by apparently racist attacks against Indian students in Australia.⁸⁷ A past Australian ban on the export of uranium to India by Australia did not help the bilateral relationship either. This ban was overturned by former Prime Minister Julia Gillard in October 2012 when she announced that the Labor Party’s policy of not selling uranium to a non-signatory to the Nuclear Non-proliferation Treaty would be overturned. (The United States underwent a similar policy shift toward India in 2005-2008.) Australia is thought to have approximately one third of the world’s uranium reserves. In the lead-up to his September 2014 visit to India, former Prime Minister Abbott stated “We ought to be prepared to provide uranium to India under suitable safeguards.... India is a fully functioning democracy with the rule of law.”⁸⁸ Many view the uranium sale agreement as having much symbolic value, which could potentially open the way

⁸² “Japan Country Brief,” Department of Foreign Affairs and Trade, May 15, 2009.

⁸³ Tim Kelly, “Australia Leans Toward Buying Japan Subs to Upgrade Fleet,” Reuters, September 1, 2014.

⁸⁴ Simon Evans, “Subs Won’t Be Sunk by Unions,” *Financial Review*, September 22, 2015.

⁸⁵ A. Pillalamarri, “Australian PM Visits India, Signs Nuclear Deal,” *The Diplomat*, September 6, 2014.

⁸⁶ Australian Senate Standing Committee on Foreign Affairs, Defence and Trade, “Australia-India Relations: Trade and Security,” 1990.

⁸⁷ “India Warns Australia over Student Attacks,” *CNN World*, January 12, 2014.

⁸⁸ N. Najar and M. Innis, “Australian Leader Seeks Deal to Sell Uranium to India,” *The New York Times*, September 3, 2014.

for more substantial bilateral ties between India and Australia.⁸⁹ Some have stated that the deal “could usher in a new era of strategic partnership.”⁹⁰

The Indian Ocean may be one area for potential increased collaboration between the two nations. The 2014 Indian Ocean Naval Symposium (IONS) was held in Perth, Australia. The IONS was established in 2008 and attracted representatives of 36 navies to the 2014 meeting. Australia is currently the chair of the IONS as well as the Indian Ocean Rim Association (IORA). The 2013 IORA meeting was also held in Perth. IORA has six priority areas: (1) maritime safety and security, (2) trade and investment facilitation, (3) fisheries management, (4) disaster risk management, (5) academic and science and technology cooperation, and (6) tourism and cultural exchange.⁹¹ The United States participated as a dialogue partner of the IORA for the first time in 2013.⁹² Australia has observer status with the South Asia Association for Regional Cooperation (SAARC). Concern by some observers in India over the increase in China’s presence in the Indian Ocean may also play a role in its approach to Indian Ocean maritime issues. Some in India are concerned with China’s involvement with port facilities in places like Gwadar, Pakistan, and Hambantota, Sri Lanka.

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.⁹³ The South Pacific is an area of key strategic importance to Australia. The region has been subject to a number of shocks including food and fuel price increases, natural disasters, ethnic conflict, challenges to democratic government, rising influence of new external actors, difficulties in maintaining infrastructure, and the negative effects of climate change.⁹⁴ Australia has led peace-keeping efforts in the region, including in Timor-Leste and the Solomon Islands, indicating Australia’s resolve to promote stability in the South Pacific.

The former Portuguese colony of Timor-Leste was occupied by Indonesia from 1975 to 1999. In 1998, diplomatic intervention by Prime Minister Howard prompted 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 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. Timor-Leste became independent in 2002.⁹⁵ Australia and Timor-Leste have worked together to establish arrangements for the exploitation of energy

⁸⁹ Aarti Betigeri, “India’s Nuclear Deal with Australia Is All About Geopolitics,” *Global*, September 5, 2014.

⁹⁰ David Brewster, “India-Australia Nuclear Deal: A Pivot Point,” Gateway House, Indian Council on Global Relations, September 4, 2014.

⁹¹ Australian Government, Department of Foreign Affairs and Trade, “IORA: Promoting Cooperation in the Indian Ocean,” <http://www.dfat.gov.au/geo/indian-ocean/iora.html>.

⁹² Atul Keshap, “Indian Ocean Rim Association Council of Ministers Meeting,” U.S. Department of State, November 1, 2013.

⁹³ “Our Near Abroad: Australia and Pacific Islands Regionalism,” Australian Strategic Policy Institute, November 2011.

⁹⁴ Jenny Hayward-Jones, “The Pacific Islands and the World: The Global Economic Crisis,” *Lowy Institute*, August 2009.

⁹⁵ “Australian PM Hints at Long-Term Military Presence in East Timor,” *BBC Monitoring Service*, June 19, 2003.

resources beneath the Timor Sea. Australia and Timor-Leste have agreed to postpone final demarcation of their maritime boundary.

Australia's Regional Assistance Mission to the Solomon Islands (RAMSI) also demonstrated Australia's resolve to promote stability in the South Pacific. Australia headed a multinational force to restore order in the Solomons in 2003. This was augmented in April 2006 when Australia sent more troops to the Solomons to quell rioting and violence following the election of Prime Minister Snyder Rini.⁹⁶ 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.⁹⁷

The government of Papua New Guinea (PNG) requested that Australia and New Zealand send troops to assist PNG with its elections in 2012. The troops provided support for the elections by transporting personnel, ballot boxes, and election materials to many of PNG's remote locations.⁹⁸

Some analysts have observed a relative lessening of Australian influence in the South Pacific as China has sought to play a more active role in the region. Australia along with other Western nations and the Pacific Islands Forum (PIF) sought to impose sanctions on Fiji in the wake of the 2006 coup which installed Frank Bainimarama to power. Fiji was subsequently suspended from the Forum in 2009. In response, Fiji developed a "Look North" policy and developed closer relations with China as well as with the Melanesian Spearhead Group and the Small Islands Developing States group.⁹⁹ The September 17, 2014, election, which elected Prime Minister Bainimarama to office, may offer an opportunity to revisit Western approaches to Fiji. The Commonwealth reinstated Fiji as a member following this "credible" election in September 2014.¹⁰⁰ The July 2014 meeting of the PIF reviewed the Pacific Plan and sought to engage the region in a pooling of sovereignty short of full integration as a means of better addressing regional challenges.¹⁰¹

Australia, Islamist Militancy, and Counterterrorism

Australia contributed to the International Coalition Against Terrorism (ICAT) and sent rotations of special forces troops plus regular troops to Iraq and Afghanistan. This support stems from Australia's desire to support the United States and from a shared perspective on Islamist extremist violence.¹⁰² Terrorist attacks against Australians in Indonesia did much to shape Australia's perceptions of Islamist threats in the post-9/11 environment.

On October 12, 2002, 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 7 Americans. Indonesian officials attributed the bombing to the militant Islamic network Jemaah Islamiya (JI), which had 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 at that time reportedly set as their goal the establishment of an Islamic state that would encompass Indonesia, Malaysia, the southern Philippines, and

⁹⁶ John Kerin, "Flying Squad to Quell Solomons Riots," *Financial Review*, April 20, 2006.

⁹⁷ "Forum Secretary General Praises Success of RAMSI," *PACNEWS*, July 16, 2009.

⁹⁸ "Australian Assistance to PNG Elections," *Pacific Sentinel*, May 31, 2012.

⁹⁹ Sandra Tarte, "Australia and the Pacific Islands," University of the South Pacific, <http://crosbiew.blogspot.com>.

¹⁰⁰ "Commonwealth Secretary Congratulates Fiji PM," *Indo-Asian News Service*, September 29, 2014.

¹⁰¹ Jon Fraenkel, "Pooling Sovereignty? Australia and the Pacific Islands," *The Economist*, August 1, 2014.

¹⁰² Peter Finn, "Administration Makes Progress on Resettling Detainees," *The Washington Post*, August 20, 2009.

Northern Australia. Australian and Indonesian counterterror cooperation improved as a result of cooperation on the investigation into the Bali blasts.¹⁰³ JI leader Abu Bakar Bashir (now imprisoned) has announced his allegiance to the Islamic State. It is not clear just how much influence this pledge will have on Islamist militants in Indonesia.

More recently, and following the terrorist attacks in Paris and San Bernardino, there is concern that dozens of Australians, and others from Southeast Asia, who have gone to fight with the Islamic State in Syria and Iraq (ISIS) may lead to future threats to Australia and Australians abroad. Australia has approximately half a million Muslims out of a total population of approximately 23 million.¹⁰⁴ Former Australian Chief of Army Peter Leahy has cautioned that if radical Islam gains a secure foothold, “terror bases will be established and more attacks launched in Muslim lands and abroad. Homegrown terrorism will be emboldened to carry out more attacks.”¹⁰⁵ Australian Mohammad Elomar, who is believed to be fighting with the Islamic State, reportedly issued a threat to Australia via the Internet in response to a warrant being issued for his arrest; “... fireworks coming up soon keep a close eye.”¹⁰⁶ Australian Khaled Sharrouf, who is also fighting with IS forces and who posted pictures of battlefield executions conducted in Iraq, which he is thought to have participated in, also issued a threat to Australia. “Allah hates you infidel dogs ordered us to kill use.”¹⁰⁷ An Australian with an IS flag and tens of thousands of dollars was reportedly pulled off a flight at Melbourne airport in August 2014.¹⁰⁸

In September 2014, raids in Australia led to the arrest of Omarjan Azari, who was accused of conspiring with Afghan-born Mohammad Ali Baryalei and others to carry out terrorist attacks in Australia. Baryalei is accused of ordering a demonstration killing in Australia and is believed to have been killed fighting with the Islamic State.¹⁰⁹ In December 2014, an Iranian-born Australian, who supported ISIS but had no apparent ties to the Islamic State, took hostages at a Sydney cafe. The incident ended with three deaths, including that of the perpetrator. In November 2015, Prime Minister Turnbull stated that Australia would redouble its efforts in both domestic and regional counterterrorism efforts.¹¹⁰

Australia has enacted new security laws including enhanced data retention capabilities and has increased funding for intelligence agencies and police by \$630 million to help prevent terrorist attacks.¹¹¹ The government raised the official terror alert level to high in 2014, although Australia’s borders are relatively secure compared to major European countries and its gun laws are strict compared to the United States. In December 2015, the Australian parliament passed legislation to strip dual nationals of their Australian citizenship if they are convicted of terrorism offences or found to have engaged in terrorist activities overseas. However, Turnbull asserted that

¹⁰³ Minister for Foreign Affairs Downer, “Counter-Terrorism Package,” March 7, 2003.

¹⁰⁴ David Wroe, “ASIO Boss Reaches Out to Muslims,” *The Sydney Morning Herald*, August 22, 2014.

¹⁰⁵ Peter Leahy, “Secular Societies Must Brace for a Long War Against the Rise of Radical Islamists,” *The Australian*, August 9, 2014.

¹⁰⁶ Mitchel Nadin, “Aussie Terrorists Send Out Warning,” *The Australian*, July 30, 2014.

¹⁰⁷ Paul Maley, “Executioner Sharrouf Taunts Authorities,” *The Australian*, July 17, 2014.

¹⁰⁸ “Global Mission: Stop Flow of Foreign Fighters,” *Express*, September 4, 2014.

¹⁰⁹ “Australia Seeking to Confirm Death of Top IS Member,” *Agence France Presse*, October 29, 2014.

¹¹⁰ “Turnbull Warns of Increased Threat of Terrorism in the Region after Recent Attacks,” *The Conversation*, November 25, 2015.

¹¹¹ Brendan Nicholson, “We Will Fight Islam 100 Years,” *The Australian*, August 9, 2014.

“nothing has changed” regarding the government’s plan to accept 12,000 Syrian and Iraqi refugees.¹¹²

There is also concern that IS fighters from Indonesia and elsewhere in Southeast Asia may follow the pattern of previous militants who were radicalized through fighting in Afghanistan before returning to the region and resuming militant Jihadist activities. Australian intelligence officials reportedly know of 30 Australians who were suspected of going to Afghanistan to fight or train during the conflict there. Approximately two-thirds of the 25 who returned to Australia are known or thought to have become involved in terrorist activities in Australia.¹¹³ It is thought that there are about 150 Southeast Asians fighting with or supporting the Islamic State in Syria and Iraq out of its estimated 10,000 foreign fighters.¹¹⁴ It is also estimated that there are “about 150 Australia based individuals who are directly related in some way” and an additional 60 Australians operating with either Al-Qaeda or the Islamic State in Syria or Iraq.¹¹⁵

Economic and Trade Issues

Australia “Beyond the Boom”¹¹⁶

The Australian economy has undergone massive growth in recent years. Andrew Charlton has pointed out that Australia’s economic growth over the past 20 years has been one third faster than the United States’, twice as fast as Europe’s and three times faster than Japan’s. Australia is ranked 25th in per capita GDP and 20th in GDP, despite its relatively small population.¹¹⁷ Much of this wealth is derived from the fact that Australia has 19% of the world’s total known mineral wealth with 0.3% of the world’s population.¹¹⁸ As a result, Australia’s economy is to a large extent dependent on world prices for natural resources, which have been driven up by China’s economic expansion. Over the past decade Australia-China trade has increased dramatically. China became Australia’s largest trade partner in 2009. China buys about one-third of Australian exports, compared to 25% in 2010.¹¹⁹

According to analysts, falling commodities prices and China’s economic slowdown have begun to constrain Australian economic growth.¹²⁰ Australia’s global exports, led by commodities, have fallen after peaking in 2011. Exports to China peaked in 2013 and fell by over 25% in 2015.¹²¹ Impacted sectors include iron ore, coal, and petroleum products such as liquid natural gas (LNG).

¹¹² Daniel Hurst and Katharine Murphy, “Turnbull Tries to Clear up Confusion over Refugee Intake after Church Concerns,” *The Guardian*, November 22, 2015.

¹¹³ Cameron Stewart, “Defensive Line Drawn,” *The Australian*, August 7, 2014.

¹¹⁴ Brendan Nicholson, “Agencies Warn of Local Jihadists,” *The Australian*, August 6, 2014.

¹¹⁵ Peter Hartcher, “Real Terrorism Threat Lurks in Shadows,” *The Sydney Morning Herald*, August 12, 2014.

¹¹⁶ This phrase is drawn from John Edwards, *Beyond the Boom*, A Lowy Institute Paper (Melbourne: Penguin Books, 2014).

¹¹⁷ Central Intelligence Agency, *The World Factbook*, 2015.

¹¹⁸ Andrew Charlton, “Dragon’s Tail: The Lucky Country after the China Boom,” *Quarterly Essay*, No. 54, 2014.

¹¹⁹ *Global Trade Atlas*

¹²⁰ Mark Mulligan, “Dr. Doom Nouriel Roubini’s Firm Warns of 20% Australian Dollar Slump,” *The Sydney Morning Herald*, September 22, 2014. A minority pessimistic view by Roubini Global Economics has projected that a combination of China’s economic slowdown and Australian government fiscal austerity could slow Australian GDP growth to below 2% in 2015. Roubini has also speculated that this could trigger a drop in the Australian dollar by as much as 20%.

¹²¹ *Ibid.* Comparing January-September 2014 and January-September 2015.

Some experts are more optimistic about future prospects. They point to the likely increase in the volume of mining and LNG exports worldwide. John Edwards in his *Beyond the Boom* has pointed out that:

There is every prospect that additional iron ore and LNG exports, already contracted, will sufficiently increase the volume of exports to more than offset a quite significant decline in global commodity prices.¹²²

He goes on to identify that while the current mining boom began with a rise of iron ore prices:

... the boom in Australian mining over the next decade will have quite a different shape. The first decade was about prices, iron ore and China. The second decade will be about volumes, gas and Japan.

According to some sources, LNG exports are expected to rise in 2016. There are also projections of continuing growth in the mining sector, though at much reduced rates of growth.¹²³ *The Economist* views the Australian mining boom as moving from a period of investment-led growth to one led by exports and is projecting GDP growth of 2.3% in 2015 and 2.6% in 2016.¹²⁴ Further, the shift to LNG exports potentially to a more diversified set of trade partners in Asia may lessen somewhat Australia's dependence on any single market.

U.S.-Australia Trade and Investment

Foreign Minister Bishop made a key point with regard to the debate over the relative importance of Australia's economic partners when she emphasized the importance of Australia's investment relationship with the United States. U.S. Ambassador John Berry similarly has pointed to the strength of bilateral trade and investment ties. The United States is Australia's largest source of Foreign Direct Investment with \$132 billion invested, while Australia has invested \$42 billion in the United States.¹²⁵ The Australia-United States Free Trade Agreement (AUSFTA) came into force on January 1, 2005. A United States Australia Defense Trade Treaty was agreed to in 2007.

The heavy reliance by Australia on trade with China has not gone unnoticed by key American observers. Hillary Clinton warned that a drive for even more trade with China "makes you dependent to an extent that can undermine your freedom of movement and your sovereignty—economic and political."¹²⁶ Although trade with China has declined in the past year, China remains Australia's largest trading partner (\$127.5 billion in 2014), followed by Japan (\$58.5 billion) and the United States (\$34 billion). Australia has a trade surplus with China and Japan and runs a deficit with the United States (-\$9 billion in September 2015). The United States is Australia's fourth largest export market, after China, Japan, and South Korea (\$10 billion in 2014).

Trans-Pacific Partnership

Australia, which recently has signed free trade agreements with South Korea, Japan, and China, is a signatory to the 12-nation Trans-Pacific Partnership (TPP) agreement, concluded in October 2015. Due to the AUSFTA, the United States and Australia had already reached agreement, at

¹²² John Edwards, *Beyond the Boom*, A Lowy Institute Paper (Melbourne: Penguin Books, 2014).

¹²³ Paul Bloxom, "The Future Is Bright as Mining Boom Recedes," *The Australian*, July 9, 2014.

¹²⁴ "Australia Country Report," *The Economist Intelligence Unit*, December 8, 2015.

¹²⁵ Ambassador John Berry, "State of the Alliance," National Press Club of Australia, June 25, 2014.

¹²⁶ Paul McGeough, "Clinton Accuses Australia of Two-Timing with China," *The Canberra Times*, June 28, 2014.

least bilaterally, on many of the issues addressed in the TPP, although the TPP has introduced new disciplines in the areas of intellectual property rights, digital trade, state-owned enterprises, and other issues. Australia also agreed to an Investment chapter with an investor-state dispute settlement (ISDS) mechanism, which it had refused to do in the bilateral FTA. Some backers say that TPP tariff reductions could boost Australian agricultural production by 19%, although some critics, such as some in the Australian sugar industry, are skeptical.¹²⁷ TPP countries, including the United States, constitute about one-third of Australia's export markets. During TPP negotiations in October 2015, Australia and the United States reached a compromise on the length of time U.S. pharmaceutical companies could retain intellectual property rights protections on biologic medicines, thereby helping to keep the costs of those medicines down and bolstering support for the agreement in Australia.¹²⁸ Turnbull predicted that the TPP would bring more jobs and innovation to the Pacific region and suggested that opposition to the accord in Australia was weaker than that in the United States. The Labor Party cautiously welcomed the deal.¹²⁹

Looking Ahead

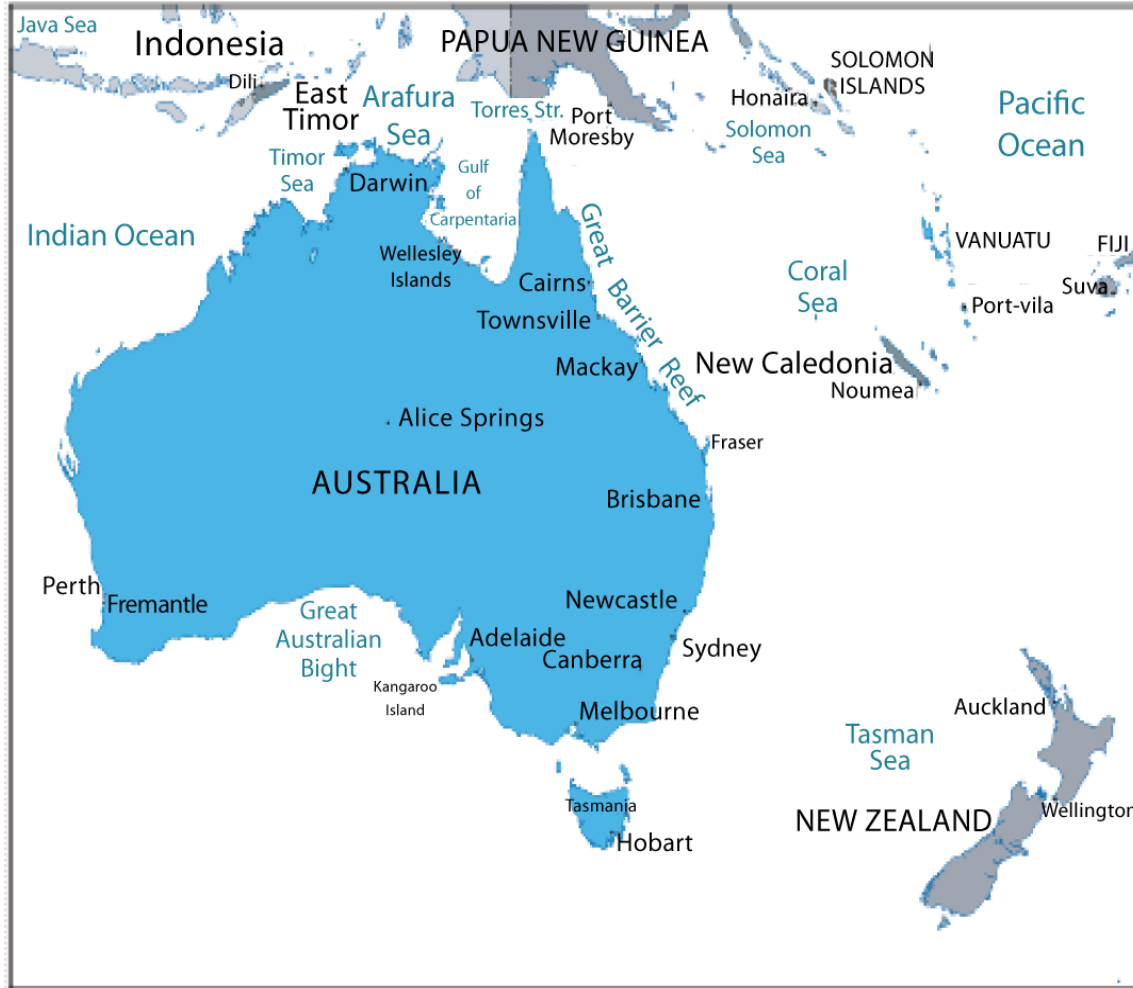
Several developments in Australia may play a key role in shaping the nature of Australia's external engagements and its relationship with the United States in the years ahead. While the rise of China and Australia's trade relationship with China will certainly continue to be of overarching importance to the Australian economy, this role may potentially lessen somewhat should China's economy slow. Second, the resurgence of Islamist militancy inspired by the Islamic State has the potential to threaten the interests of Australia as well as the United States. As a result, and due to alliance considerations, Australia may share the perspective of the United States as it seeks to roll back this emerging threat. The most significant strategic development over the past year may be Australia's developing relationship with Japan. While this has been developing for some time, such a bilateral intra-Asian strategic relationship may be viewed by some as a hedge against the perceived relative decline of the United States in the era of the rise of China. Australia, and other strategic partners and friends in the region, may be increasingly concerned that the renewed struggle against Islamist militancy will once again divert the attention of the United States away from the Indo-Pacific towards the Middle East. While Australia actively seeks to keep the United States strategically and economically involved in the Indo-Pacific region, its expanding ties with Japan appear to indicate a desire to broaden Australia's strategic partnerships at a time of geopolitical uncertainty in the region.

¹²⁷ Rose Powell, "TPP: What the Trade Pact Means for Australia," *The Sydney Morning Herald*, October 6, 2015.

¹²⁸ James Glenday, Anna Henderson and Stephanie Anderson, "Trans-Pacific Partnership: Ministers and Negotiators Lock in Major TPP Trade Deal, Government Hails 'Giant Foundation Stone' for Australia," *ABC*, October 6, 2015.

¹²⁹ David Crow, "Turnbull Pushes US to Back Pacific Trade Deal," *The Australian*, November 19, 2015; Jared Lynch, Hannah Francis, and David Ramli, et. al., "A 'Gigantic Foundation Stone' for the Economy: PM," *The Age*, October 7, 2015.

Figure 1. Map of Australia



Source: Map Resources. Adapted by CRS.

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