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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. Australia is also a close intelligence partner through the “Five Eyes” group of nations. U.S. Marines are conducting rotational deployments in northern Australia. This initiative and others demonstrate the closeness of the relationship. A traditional cornerstone of Australia’s strategic outlook 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. Australian decision-makers have also believed that Australia does not have to choose between the United States and China. Some former Australian political leaders and former government officials, as well as media reports, have expressed concern about where Australia’s relationship with the United States may be headed under the Trump Administration.

While Australia has a complex array of international relations, 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 can have constructive trade relations with China while maintaining its close strategic alliance relationship with the United States. However, shifts in the geostrategic dynamics of Asia are leading regional states such as Australia to hedge, increasingly with other Asian states, against the relative decline of U.S. engagement in the region. This is one interpretation of what is behind the recent strengthening of ties between Australia and Japan and between Australia and 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 continuing concerns in Australia about domestic Islamist terrorist threats, including from “lone wolf” attacks. Dozens of Australian citizens are believed to have gone to fight for the Islamic State.

Australia’s trade relationship with China has been a key source of economic growth. However, there is an ongoing debate in Australia on where the Australian economy is headed as 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.

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Recent Developments

The visit to Australia by Vice President Mike Pence, and what was generally viewed as a positive meeting between President Trump and Prime Minister Turnbull aboard the retired aircraft carrier *USS Intrepid* for the 75th anniversary of the Battle of the Coral Sea, have sought to put the relationship back on track after getting off to a “rocky start” according to media reports. During his April 2017 visit to Australia, Vice President Pence affirmed the alliance and stated that the United States would honor the refugee deal made by Turnbull and former President Obama.¹ At their meeting aboard the *Intrepid*, Trump and Turnbull were able to move past a reportedly acrimonious phone call with Trump stating that “We get along great, we have a fantastic relationship, I love Australia.”²

In July 2016, candidate Trump stated, “If we cannot be properly reimbursed for the tremendous cost of our military protecting other countries ... then yes, I would be absolutely prepared to tell those countries, ‘congratulations, you will be defending yourself.’”³ This position departed from past U.S. policy and is viewed by many in Australia as a cause for concern.⁴ Trump’s decision to withdraw from the Trans Pacific Partnership (TPP) agreement exacerbated concerns in Australia over the U.S. commitment to allies and friends in the Asia Pacific region.

Trump described his first call with Prime Minister Malcolm Turnbull, which was one of his first as President, as “the worst call by far” and ended the call early, according to media reports.⁵ The president reportedly stated his displeasure over a deal concluded by former President Obama and Turnbull under which the United States would receive 1,250 refugees from Australian offshore detention sites. Trump described this deal as “the worst deal ever.” President Trump’s actions were viewed by some in the press as “injecting new uncertainty in the US-Australia relationship” and reflecting the “transactional view he takes of relationships, even when it comes to diplomatic ties with long-standing allies.”⁶ The call, when taken in context with earlier statements, Trump’s withdrawal from the TPP, and other factors, led some observers in Australia to question America’s commitment and Australia’s extremely close relationship with the United States.⁷

Former Australian Minister of Defence and former Ambassador to Washington Kim Beazley pointed out that the Battle of the Coral Sea “looms large in our strategic consciousness” and that it was a “nation saving” event. The joint action by U.S. and Australian naval forces checked the Japanese naval advance on Papua and New Guinea just north of Australia and helped turn the tide of war in the Pacific.⁸ At the outbreak of World War II, the Territory of New Guinea was a League

¹ Jaqueline Williams, “Mike Pence, on Charm Offensive in Australia, Confirms ‘Historic Alliance,’” *New York Times*, April 21, 2017.

² Maggie Haberman and Mark Landler, “Despite Earlier Spat, Smooth Sailing Aboard Intrepid for Trump and Turnbull,” *New York Times*, May 4, 2017.

³ Damian Paletta, “Clinton vs Trump: Where they Stand on Foreign Policy Issues,” *Wall Street Journal*, reference to a July 20, 2016, Trump interview with the *New York Times*, <http://graphics.wsj.com/elections/2016/donald-trump-hillary-clinton>.

⁴ Ben Westcott, “Does Australia Want Turnbull to Save the Relationship with Donald Trump?” *CNN*, May 3, 2017.

⁵ Greg Miller, “‘This Was the Worst Call by Far’ Trump Badgered, Bragged and Abruptly Ended Phone Call with Australian Leader,” *Washington Post*, February 2, 2017.

⁶ Greg Miller, Philip Rucker, “No G’Day Mate: On Call with Australian Prime Minister,” *Washington Post*, February 3, 2017.

⁷ James Bowen, “Trump-Turnbull Meet Comes amid Increasing Debate over Australia’s US Ties,” *The Diplomat*, May 5, 2017.

⁸ Kim Beazley, “The Coral Sea, 1942: A Nation Saving Event,” *The Strategist*, Australian Strategic Policy Institute, (continued...)

of Nations Mandate of Australia while the Territory of Papua was under the direct authority of the Commonwealth of Australia.

Congressional Action

Many Members of Congress have sought to signal their support of the alliance with Australia. H.Con.Res. 21, “Reaffirming a Strong Commitment to the United States-Australia Alliance Relationship,” sponsored by Representative Eliot Engel with 32 cosponsors, was introduced on February 6, 2017, and referred to the Subcommittee on Asia and the Pacific on February 16, 2017. S.Res. 50, “Reaffirming a Strong Commitment to the United States-Australia Alliance Relationship,” was sponsored by Senator Benjamin Cardin with 13 cosponsors and was introduced on February 6, 2017, and referred to the Committee on Foreign Relations.

Senator John McCain expressed his “unwavering support” for the alliance by meeting with Australian Ambassador to the United States Joe Hockey on February 2, 2017, and stating,

Today, Australia is hosting increased deployments of U.S. aircraft, more regular port visits by U.S. warships, and critical training for U.S. marines at Robertson Barracks in Darwin. This deepening cooperation is a reminder that from maintaining security and prosperity in the Asia-Pacific region to combatting radical Islamist terrorism, the U.S.-Australia relationship is more important than ever. In short, Australia is one of America’s oldest friends and staunchest allies. We are united by ties of family and friendship, mutual interests and common values, and shared sacrifice in wartime.⁹

Both the House and Senate have also established bipartisan Friends of Australia Caucuses. Representatives Joe Courtney and Mike Gallagher and Senators Roy Blunt and Dick Durbin announced the launch of both the House and the Senate bipartisan Friends of Australia Caucuses in May 2017.¹⁰

U.S.–Australia Relations

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.¹¹ 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.¹²

(...continued)

May 3, 2017.

⁹ Senator John McCain, “Statement by SASC Chairman John McCain on U.S.-Australia Alliance,” press release, February 2, 2017.

¹⁰ “Blunt, Durbin Launch Senate Friends of Australia Caucus,” May 3, 2017, <https://www.blunt.senate.gov>; “On 75th Anniversary of the Battle of the Coral Sea, Courtney and Gallagher Launch Bipartisan House ‘Friends of Australia Caucus,’” press release, May 5, 2017, <https://courtney.house.gov>.

¹¹ 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.

¹² 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.

President Trump stated in May 2017, “Few peoples in the world share ties in history, affection and culture like the Americans and Australians.”¹³ In January 2017, Australian Foreign Minister Julie Bishop stated

We are allies, partners, collaborators and most importantly friends - we like each other - a lot. We share fundamental values that underpin a corresponding world view and a similar brand of pragmatic optimism. There’s a natural affinity. We benefit from a high level of mutual trust, built up over decades of close cooperation. Ours is a formal alliance, and the ANZUS Treaty of 1951 is the cornerstone of our longstanding relationship. Following the inauguration of President Trump, Australia commits anew to our essential and enduring partnership.¹⁴

This sentiment is also evident in previous administrations as well. Former 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.¹⁵

Australia, a traditionally staunch U.S. ally, strengthened its long-standing alliance with the United States under the Obama Administration. 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 try to halt the advance of Islamic State (IS) militants in Iraq.¹⁶ 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 has traditionally viewed the United States as a force for good in the world and in Australia’s Indo-Pacific region. There has traditionally been strong bipartisan elite and popular support in Australia for bilateral defense cooperation with the United States.

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, Paul Hogan, and Heath Ledger. Australian musicians, performers and personalities 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.

AUSMIN

At the core of the ANZUS alliance is the Australia-United States Ministerial (AUSMIN) process. This 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. AUSMIN usually meets once a year. While an AUSMIN meeting is expected in 2017, there was no AUSMIN meeting in 2016. 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

¹³ Jim Garamone, “Shared Risk, Blood Cement US-Australian Ties, Trump,” *DoD News*, May 5, 2017.

¹⁴ Foreign Minister Julie Bishop, “US-Australia Dialogue on Cooperation in the Indo-Pacific,” January 26, 2017, <http://foreignminister.gov.au>.

¹⁵ “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.

¹⁶ “Islamic State: Abbott Warns Troops May Be Forced to Fire in Iraq,” *ABC News*, September 17, 2014.

consultations. The Joint Statement at that time included 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 Statement on Defense Cooperation, which articulates the principles underpinning defense cooperation.¹⁷

At the 2015 ministerial, the two 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 Southeast 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.”¹⁸

Former Prime Minister Tony Abbott met with former President Barack Obama in Washington in June 2014. 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.¹⁹

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 at that time 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.²⁰

The U.S.-Australia Force Posture Agreement

The United States and Australia signed the U.S.-Australia Force Posture Agreement in August 2014. 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.²¹ Such a system could network U.S., Australian, and

¹⁷ “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>.

¹⁸ Ibid.

¹⁹ Office of the Press Secretary, The White House, “Remarks by President Obama and Prime Minister Abbott,” June 12, 2014.

²⁰ Ibid.

²¹ The White House, Office of the Press Secretary, “The United States and Australia; An Alliance for the Future,” June 12, 2014. Brendan Nicholson, “Joint Plan to Take Out Missiles,” *The Australian*, August 13, 2014.

allied assets to increase shared capabilities and could potentially include the Australian Jindalee Over-the-Horizon Radar.²² (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.²³ 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.²⁴

Under the Force Posture Agreement, U.S. forces in Australia have been set to increase from 1,150 to 2,500. The agreement provides a legal basis for the presence of U.S. marines and prepares the way for a rotational presence of U.S. Navy vessels and military aircraft in Western Australia in the years ahead. In October 2016, the United States and Australia reached an “in principle conclusion of cost-sharing negotiations” for the force posture initiatives.

The Force Posture Initiatives in northern Australia are being implemented under the Force Posture Agreement signed at the 2014 Australia-United States Ministerial Meeting. The initiatives seek to expand cooperation, increase opportunities for combined training and exercises and deepen the interoperability of our armed forces. The initiatives also provide opportunities for broader collaboration between Australia, the United States and our partners in the Indo-Pacific.²⁵

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.” 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.”²⁶

History and Politics

Australia (see map below) 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.²⁷ While the Aboriginal population were hunter-gatherers, they developed a complex spiritual “Dreamtime” culture focusing on creation myths, rituals, laws, and connections to ancestors and the Australian landscape.²⁸ Captain James Cook claimed Australia for Britain in 1770, and in 1788 the first

²² John Kerin, “Iraq Leads the Agenda,” *Australian Financial Review*, August 14, 2014.

²³ Greg Sheridan “US Plan to Fire from Our Ships,” *The Australian*, August 9, 2014.

²⁴ C. Stewart, “Expansion of Remote Spy Base Will Catapult ADF into the Future,” *The Australian*, July 9, 2014.

²⁵ Senator The Honorable Marise Payne, Minister for Defence, “Cost Sharing Negotiations for Force Posture Initiatives Conclude,” Australian Government, <https://www.minister.defence.gov.au>.

²⁶ State Department Press Release, “Joint Communiqué AUSMIN 2014,” *Federal Information and News Dispatch*, August 12, 2014.

²⁷ Estimates vary from about 1% to 2.5%.

²⁸ The Dreamtime refers to the Australian Aboriginal peoples’ spiritual framework of belief.

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.²⁹ 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 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.³⁰

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. There is a growing republican movement in Australia that supports breaking with the British Crown.

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. Sir Peter Cosgrove was appointed Governor General in 2014.

Main Political Parties: Labor, Liberal, National, Greens

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

Capital: Canberra with a population of 390,000

Population: 22.9 million with 1% growth (2016 est.)

Urbanization: 89.4% (2015 est.)

Literacy: 99%

Life expectancy at birth: 82.2 years (2016 est.)

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 32.2%, Japan 15.9%, South Korea 7.1%, United States 5.4%. (2015 est.)

GDP growth: 2.9% (2016 est.)

Unemployment: 5.8% (2016 est.)

GDP per capita: US\$48,800 (2016 est.)

Labor force: agriculture 3.6%, industry 21.1%, services 75.3% (2009 est.)

Inflation: 1.4% (2016 est.)

Exchange rate: .74 USD = 1 AUD (2017 est.)

Sources: CIA, The World Factbook; Economist Intelligence Unit.

²⁹ 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>.

³⁰ 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).

Table I. 45th Australian Senate Composition

Political Parties	45th Senate Seats
Coalition	29
Australian Labor Party	26
Greens	9
Hanson's One Nation	4
Nick Xenophon Team	3
Liberal Democratic Party	1
Family First	-
Jacqui Lambie Network	1
Derryn Hinch's Justice Party	1
Australian Conservatives	1
Independents	1
Palmer United Party	-
Australian Motoring Enthusiast Party	-
Total	76

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.

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, same sex 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

knighthoods to prominent Australians. Abbott had reintroduced the practice in 2014 after a hiatus of 30 years.³¹

Table 2. 45th Australian Parliament Composition

Political Parties	45 th Seats
Coalition	76
Australian Labor Party	69
Greens	1
Hanson's One Nation	-
Nick Xenophon Team	1
Liberal Democratic Party	-
Family First	-
Jacqui Lambie Network	-
Derryn Hinch's Justice Party	-
Katter's Australia Party	1
Independents	2
Palmer United Party	-
Australian Motoring Enthusiast Party	-
Total	150

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

Australia went to the polls in July 2016 and returned the Turnbull government's Liberal/National Coalition with a very narrow margin in parliament. (See **Table 2** above.) The lack of a majority in the Senate (see **Table 1** above) necessitates cooperation by the government with small parties and independents or with the opposition to get legislation passed. The next general election is due to be held in 2019 or earlier. Turnbull continues to face opposition from conservatives within his own right of center Liberal Party. Since the 2016 election, Labor Party Leader Bill Shorten has strengthened his political position. Bill Shorten's Labor Party held a 53% to 47% lead over Prime Minister Turnbull's Coalition in a two-party preferred poll held in May 2017.³²

The Alliance

The ANZUS Alliance and Changing Strategic Contexts

The United States–Australia bilateral defense and alliance relationship has traditionally remained strong even as it has evolved through several different strategic contexts over the past 100 years.³³

³¹ "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.

³² James Massola, "Budget Delivers Malcolm Turnbull Poll Boost," *The Sydney Morning Herald*, May 15, 2017.

³³ 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 (continued...)

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 at that time. 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, in the Battle of the Coral Sea for example, 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.³⁴ The U.S.-Australia joint defense facilities aid in intelligence collection, ballistic missile early warning, submarine communications, and satellite-based communications.³⁵ Formal consultations include policy planning, political-military, and military-to-military talks.³⁶

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 renewed strategic partnership between the United States and New Zealand and provide for enhanced cooperation on a range of areas including enhanced military cooperation.³⁷

U.S. Arms Sales to Australia

Australia, the world's sixth largest arms importer, has traditionally bought most of its major weapons systems from the United States with approximately 68% of arms imports in 2015 being sourced from the United States.³⁸ Australia announced in April 2014 that it would buy 58 F-35A

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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.

³⁴ H.E. The Hon. Kim Beazley, Australian Ambassador to the United States, "On ANZUS Turning 60," 2011 ANZAC Lecture, Georgetown University, April 20 2011.

³⁵ *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper 2009, Australian Government, Department of Defence, <http://www.defence.gov.au>.

³⁶ "The Australia-U.S. Alliance," Department of Foreign Affairs and Trade, Government of Australia, <http://www.dfat.gov.au>.

³⁷ "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>.

³⁸ M. Safi and N. Evershed, "Australia Becomes the World's Sixth Largest Arms Importer," *The Guardian*, April 3, 2015.

Joint Strike Fighter aircraft at a cost of \$11.5 billion. This purchase is in addition to a previously announced decision by Australia to buy 14 F-35As.³⁹ 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.⁴⁰

Australia's Strategic Outlook

Public 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.⁴¹ In the view of some analysts, the shift in the geostrategic dynamics of Asia and relative decline of U.S. power is leading Australia to explore multilateral as well as other bilateral security relationships.⁴² 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 Indo-Pacific 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.”⁴³

Such developments also 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. The search for new security mechanisms in Asia appears, in the view of some analysts, to mark a declining faith that economic interdependence and existing regional institutions will succeed in preventing regional conflict in the future. This sentiment is also reflected in a regional arms race.⁴⁴

³⁹ Nigel Pittaway, Australian Buy Comes at Key Time for F-35 Program,” *Defense News*, April 28, 2014.

⁴⁰ Andrew Greene, RAAF to Receive Two More C-17 Globemaster Planes In Billion-Dollar Defence Purchase, ABC News, April 20, 2015.

⁴¹ 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.”

⁴² 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).

⁴³ Rory Medcalf and Raja Mohan, *Responding to Indo-Pacific Rivalry: Australia, India and Middle Power Coalitions*, Lowy Institute, August 2014.

⁴⁴ Robert Wall, “Chinese Military Spending, Ambitions Fuel Asian Arms Race, Studies Say,” *Wall Street Journal*, February 22, 2016. Jamie Seidel, “A New Arms Race Is Exploding into Asia,” *News Limited Network*, February 13, 2014.

Strategic Geography

Despite Australia's close ties with Anglosphere countries,⁴⁵ many in Australia firmly believe that the 21st Century is an Asian Century and that this presents Australia with opportunity. 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.⁴⁶

The Indo-Pacific

Linkages of trade and energy, as well as changes in the correlates of power, are reshaping perceptions of the strategic geography of the Indo-Pacific region. This thinking is also bringing together American and Australian conceptions of their evolving 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."⁴⁷ The United States' rebalance to Asia strategy 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.⁴⁸ 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.⁴⁹

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

⁴⁵ In its narrow definition, the Anglosphere refers to the United Kingdom and British settler societies. More expansive definitions would also include countries with shared values and roots in the Commonwealth tradition. Michael Kenny and Nick Pearce, "The Rise of the Anglosphere," *New Statesman*, February 10, 2015.

⁴⁶ *Australia in the Asian Century*, Government of Australia White Paper, October 2012.

⁴⁷ Rory Medcalf, "In Defence of the Indo-Pacific: Australia's New Strategic Map," *Australian Journal of International Affairs*, Vol. 68, No. 4, 2014.

⁴⁸ State Department Press Release and Documents, "Joint Communiqué AUSMIN 2014," *Federal Information and News Dispatch*, August 12, 2014.

⁴⁹ David Brewster, "The India-Australia Security Engagement: Opportunities and Challenges," Gateway House Research Paper no. 9, October 2013.

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.⁵⁰ 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 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.⁵¹

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.”⁵²

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,⁵³ 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 22.9 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 to some that the dominant Anglo-Celtic identity is increasingly prepared to accommodate non-European Australian identities. Increasing Asian immigration is also changing

⁵⁰ “New Zealand Country Brief,” Department of Foreign Affairs and Trade, November 2008.

⁵¹ “Banyan: Echoes of Dreamland,” *The Economist*, November 5, 2011.

⁵² Department of Defence, “Defence Issues Paper: A Discussion Paper to Inform the 2015 Defence White Paper,” Australian Government, 2014, pp. 5-6.

⁵³ The West generally refers to Europe and countries largely of European origin such as the United States and Australia.

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. 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 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.⁵⁵

Tensions rose 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.⁵⁷ 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 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's policy to turn back boats of illegal immigrants, however, could once again become an area of tension in this bilateral relationship.

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

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.

Australia and Indonesia have worked together closely to investigate terrorist attacks 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.⁶³ 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.

China

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.⁶⁴ Australia has demurred from formally signing onto the One Belt, One Road project promoted by China.⁶⁵

A number of issues have caused tensions in Australia's relationship with China. Among these are Chinese political donations in Australia, the sale or lease of farmland and energy and transportation infrastructure to Chinese business interests, and differences over the South China Sea maritime territorial disputes. Chinese corporate donations to Australian political parties have become a focus of attention with respect to concerns over China's influence in Australia. Senator Sam Dastyari of the Labor Party resigned from the opposition frontbench after media scrutiny of his acceptance of Chinese funds. Policy experts have criticized the Northern Territory's 99-year lease to the Chinese company Landbridge Group for port facilities in Darwin. The port, which was attacked by the Japanese in 1942, is strategically located in the north of Australia and former President Obama reportedly registered his displeasure over the lease to Prime Minister Malcolm Turnbull. Critics of the lease have argued that this gives China an excellent position to observe U.S. and Australian military operations.

China became the largest investor in Australia's agricultural sector in 2014. The Australian government blocked the sale of Kidman and Company agricultural enterprises on national security grounds in 2015. National security concerns were referenced when Australia prevented the A\$10 billion sale of Ausgrid to China. Ausgrid supplies power to New South Wales. Australians are also concerned that Chinese buyers are putting upward pressure on real estate prices. Foreign Minister Julie Bishop urged China to abide by the ruling by an arbitral tribunal under the United Nation Convention on the Law of the Sea (UNCLOS), which ruled largely in favor of the Philippines and against China's behavior and claims in the South China Sea in July 2016.⁶⁶

When a sample of the population was asked in a 2016 Lowy poll which relationship is more important to Australia, respondents were split evenly with 43% answering China and 43% answering the United States. In 2014, 48% answered the United States and 37% answered China. In the June 2016, 59% of Australians polled indicated they would be "less likely to support Australia taking future military action in coalition with the U.S. under Donald Trump."⁶⁷ On a separate "feeling thermometer" scale (0-100), Australians felt more warmly towards the United

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

⁶⁵ Sam Roggeveen, "China vs the US: Australia's Increasingly Hard Choice," The Lowy Institute, March 25, 2017.

⁶⁶ Sara Ferguson and Peter Greste, "China Rising," *Four Corners Australia*, October 17, 2016.

⁶⁷ Alex Oliver, "2016 Lowy Institute Polling," <https://www.lowyinstitute.org>.

States (“temperature” of 68) than they did towards China (58). While 75% of Australians polled felt China’s economic growth was a positive influence, 79% felt China’s military activities in the region were negative.⁶⁸

Following President Trump’s electoral victory, Keating called on Australia to “cut the tag” and pursue an independent foreign policy.⁶⁹ Former Liberal Prime Minister Malcolm Fraser previously called on Australia to end its strategic dependence on the United States.⁷⁰ Other former government officials, such as Australia’s former Ambassador to China Stephen FitzGerald have also come out in opposition to Australia’s very close relationship with the United States and more supportive of close relations with China.⁷¹ These key political voices are added to the views of leading Australian strategist Hugh White who recently stated that Australians can no longer trust America and that as a result they will move closer to China. White has observed that while balancing between China and the United States was going to be “an immense challenge” for Australia in any event, President Trump, who White sees as viewing allies as “dispensable,” has made the choice starker and faster than had been expected.⁷²

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.⁷³ 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.⁷⁴

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.⁷⁵ China was also reportedly

⁶⁸ Alex Oliver, “2016 Lowy Institute Polling,” <https://www.loyyinstitute.org>.

⁶⁹ Michael Koziol, “Paul Keating Says Cut the Tag with the US After Donald Trump’s Win,” *The Sydney Morning Herald*, November 10, 2016.

⁷⁰ Malcolm Fraser, “America: Australia’s Dangerous Ally,” *The National Interest*, February 2015.

⁷¹ “Don’t Follow the US into Another War,” *The Daily News*, April 19, 2017.

⁷² Hugh White, “Trump Pushes Australia Toward China,” *New York Times*, February 9, 2017.

⁷³ 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.

⁷⁴ “Australia to Join China-Led AIIB as Founding Member,” *BBC News*, June 24, 2015.

⁷⁵ 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.

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.⁷⁶

Japan

Australia has become an increasingly close security partner with Japan.⁷⁷ 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."⁷⁸ 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."⁷⁹

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.⁸⁰ During WWII, Japan attacked the Australian mainland including air attacks on Darwin and a submarine attack on Sydney Harbor.

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.⁸¹ 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 submarines in Australia, which by some estimates would

⁷⁶ Andrew Shearer, "The China Paradox," *The Wall Street Journal Asia*, August 19, 2009.

⁷⁷ Malcolm Cook, "The Quiet Achiever," Lowy Institute, January 2011.

⁷⁸ Mark Kenny, "Japan Declares It Is Ditching Pacifist Stance," *The Canberra Times*, July 9, 2014.

⁷⁹ John Garnaut, "Abe Speech All About the Nation That Must Not Be Named," *The Sydney Morning Herald*, July 9, 2014.

⁸⁰ Brendan Nicholson, "Sincere Condolences for Kakoda and Sandakan," *The Australian*, July 9, 2014.

⁸¹ "Japan Country Brief," Department of Foreign Affairs and Trade, May 15, 2009.

cost significantly more.⁸² In 2015, the Coalition government opened the bidding process to Japanese, French, and German companies. In 2016, an agreement was reached to build 12 diesel-electric French Barracuda Block 1A submarines in Adelaide, Australia.⁸³

India

Australia-India relations have historically not been extensive despite periodic Australian studies discussing the importance of bilateral relations with India.⁸⁴ Cold War, post-colonial attitudes, and India's preferences for the Non Aligned Movement (NAM) played a part in this. Bilateral relations were also damaged in 2009-2010 by apparently racist attacks against Indian students in Australia.⁸⁵ Such past obstacles to developing closer relations have begun to change in recent years. 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 created an opening for an expansion of bilateral relations between the two nations.⁸⁶ Australia is thought to have approximately one-third of the world's uranium reserves.⁸⁷

Relations between Australia and India appear to now be expanding. Prime Minister Turnbull made a state visit to India in April 2017. During the visit he signed bilateral agreements with India on counterterrorism, climate change, and space exploration. It has been observed that "both India and Australia are concerned over China's growing maritime assertiveness and have an interest in building closer strategic ties."⁸⁸

Australia and India held joint naval exercises in the Bay of Bengal in 2015. In June of 2017, the two nations are scheduled to hold bilateral military exercises off the coast of West Australia. Indian naval vessels are also making port calls in Australia and bilateral army exercises are anticipated in 2018. In 2017, the two nations pledged to continue "deepening the bilateral defence and security relationship." Australian Defence Minister Payne has stated that Australia is very interested in renewed "quadrilateral engagement" with India, Japan, and the United States.⁸⁹

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.⁹⁰ 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

⁸² Tim Kelly, "Australia Leans Toward Buying Japan Subs to Upgrade Fleet," Reuters, September 1, 2014.

⁸³ Franz-Stefan Gady, "Australia, France Sign Deal to Build 12 Submarines," *The Diplomat*, December 21, 2016.

⁸⁴ Australian Senate Standing Committee on Foreign Affairs, Defence and Trade, "Australia-India Relations: Trade and Security," 1990.

⁸⁵ "India Warns Australia over Student Attacks," *CNN World*, January 12, 2014.

⁸⁶ A. Pillalamarri, "Australian PM Visits India, Signs Nuclear Deal," *The Diplomat*, September 6, 2014.

⁸⁷ David Brewster, "India-Australia Nuclear Deal: A Pivot Point," Gateway House, Indian Council on Global Relations, September 4, 2014.

⁸⁸ "State Visit Highlights Relations Between Australia and India," *The Economist Intelligence Unit*, April 13, 2017.

⁸⁹ Ankit Panda, "A First; Indian and Australian Navies Plan Exercises off Western Australian Coast," *The Diplomat*, May 11, 2017.

⁹⁰ "Our Near Abroad: Australia and Pacific Islands Regionalism," Australian Strategic Policy Institute, November 2011.

climate change.⁹¹ 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 2002.⁹² Australia and Timor-Leste have worked together to establish arrangements for the exploitation of energy resources beneath the Timor Sea.

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.⁹³ 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.⁹⁴

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.⁹⁵

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.⁹⁶ 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 2014.⁹⁷

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

⁹¹ Jenny Hayward-Jones, "The Pacific Islands and the World: The Global Economic Crisis," *Lowy Institute*, August 2009.

⁹² "Australian PM Hints at Long-Term Military Presence in East Timor," *BBC Monitoring Service*, June 19, 2003.

⁹³ John Kerin, "Flying Squad to Quell Solomons Riots," *Financial Review*, April 20, 2006.

⁹⁴ "Forum Secretary General Praises Success of RAMSI," *PACNEWS*, July 16, 2009.

⁹⁵ "Australian Assistance to PNG Elections," *Pacific Sentinel*, May 31, 2012.

⁹⁶ Sandra Tarte, "Australia and the Pacific Islands," University of the South Pacific, <http://crosbiew.blogspot.com>.

⁹⁷ "Commonwealth Secretary Congratulates Fiji PM," *Indo-Asian News Service*, September 29, 2014. Jon Fraenkel, "Pooling Sovereignty? Australia and the Pacific Islands," *The Economist*, August 1, 2014.

Australia's desire to support the United States and from a shared perspective on Islamist extremist violence.⁹⁸ 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 Northern Australia. Australian and Indonesian counterterror cooperation improved as a result of cooperation on the investigation into the Bali blasts.⁹⁹ 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.

There is concern that dozens of Australians, and others from Southeast Asia, who have gone to fight with the Islamic State (IS) in Syria and Iraq 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.¹⁰⁰ Australia has enacted new security laws including enhanced data retention capabilities and has increased funding for intelligence agencies and police to help prevent terrorist attacks.¹⁰¹

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.¹⁰² 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.¹⁰³ 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. 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.¹⁰⁴

⁹⁸ Peter Finn, "Administration Makes Progress on Resettling Detainees," *The Washington Post*, August 20, 2009.

⁹⁹ Minister for Foreign Affairs Downer, "Counter-Terrorism Package," March 7, 2003.

¹⁰⁰ David Wroe, "ASIO Boss Reaches Out to Muslims," *The Sydney Morning Herald*, August 22, 2014.

¹⁰¹ Brendan Nicholson, "We Will Fight Islam 100 Years," *The Australian*, August 9, 2014.

¹⁰² Cameron Stewart, "Defensive Line Drawn," *The Australian*, August 7, 2014.

¹⁰³ Peter Hartcher, "Real Terrorism Threat Lurks in Shadows," *The Sydney Morning Herald*, August 12, 2014.

¹⁰⁴ Brendan Nicholson, "Agencies Warn of Local Jihadists," *The Australian*, August 6, 2014.

Economic Issues

Australia “Beyond the Boom”¹⁰⁵

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.¹⁰⁶ 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.¹⁰⁷ 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 2010.¹⁰⁸

According to analysts, falling commodities prices and China’s economic slowdown have begun to constrain Australian economic growth.¹⁰⁹ 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 2015.¹¹⁰ Impacted sectors include iron ore, coal, and petroleum products such as liquid natural gas (LNG). 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.¹¹¹

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.¹¹² *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 2016.¹¹³ Further,

¹⁰⁵ This phrase is drawn from John Edwards, *Beyond the Boom*, A Lowy Institute Paper (Melbourne: Penguin Books, 2014).

¹⁰⁶ Central Intelligence Agency, *The World Factbook*, 2015.

¹⁰⁷ Andrew Charlton, “Dragon’s Tail: The Lucky Country after the China Boom,” *Quarterly Essay*, No. 54, 2014.

¹⁰⁸ *Global Trade Atlas*

¹⁰⁹ 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%.

¹¹⁰ Ibid. Comparing January-September 2014 and January-September 2015.

¹¹¹ John Edwards, *Beyond the Boom*, A Lowy Institute Paper (Melbourne: Penguin Books, 2014).

¹¹² Paul Bloxom, “The Future Is Bright as Mining Boom Recedes,” *The Australian*, July 9, 2014.

¹¹³ “Australia Country Report,” *The Economist Intelligence Unit*, December 8, 2015.

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.

Figure 1. Map of Australia



Source: Map Resources. Adapted by CRS.

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