Australia's Economic and Security Dilemma: US or China?

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To an external observer, it might seem like the US-Australian alliance is as strong as ever.

However, if one really looks deeper, rising discontent and disagreements are visible. In the last five years, a discussion has developed in the Australian civilian, military, governmental and academic circles that seems to undermine this image of a solid alliance.

From Australia's inception as British colonies to the Commonwealth right up until WWII, Australia's most important economic relationship was the one with Great Britain. With the decline of the British Empire came a decline in Britain's importance to Australia's economy. Britain's key role was replaced by the US. Its geostrategic guarantee was formalized in the ANZUS treaty of 1951. Both America's strategic and economic predominance suited Australia in terms of the benefits it provided by improving Australian security and contributing to its prosperity. A broader gain was the fostering of the regional stability on which the more recent Asian resurgence has depended on.

However, things have changed.

The China Factor for Australia

In 2006, Australian security agencies warned the US that, as China built up its military power, there was a danger of misunderstandings that could lead to a crisis. A cable written by the US embassy in Canberra, released by WikiLeaks, said Australia welcomed increasing US engagement with China (…).[1] Soon afterwards those worries became more public.

The possible deployment of US forces in the Northern Territory, Darwin, became a well-known idea in the summer of 2008 and caused disagreement between the government led by Prime Minister Kevin Rudd and the left-wing campaign groups like the Australian Anti-Bases Campaign Coalition.[2]

Until 2009 the prevailing approach was the one dating from the John Howard government, that Australia does not have to choose between both countries. At that time, a serious debate on Australia's response to China's rise began.[3] It was conducted in government circles during the drafting of the defense white paper released in May of the same year. Since then, the discussion has spread from the expert community to the broader public and the contest of ideas has become more heated.

Whenever speaking to international leaders or on the national stage, former Prime Minister Kevin Rudd consistently and vocally warned of the serious and long-term challenge to Australian security posed by China's meteoric rise and, mostly implicitly, but increasingly openly, the danger of it sparking direct military conflict between a rising China and a stagnant United States.[4]

The second debate over the strategic implications of China's rise was initiated a year later by Hugh White, former deputy secretary for strategy and intelligence in Australia's Department of Defence. The debate was opened with a

September 2010 essay called *Power shift,* continued with the 2012 book *The China Choice*, which was then followed by articles in major newspapers and journals.

ANZUS

The major security cooperation framework between the United States and Australia has been the Australia, New Zealand, United States Security Treaty – ANZUS. It is a military alliance that binds Australia and New Zealand, and separately, Australia with the US. Its members cooperate on defense matters in the Pacific Ocean. In the mid-1980s, New Zealand was largely excluded due to its anti-nuclear policies. It then became a *de facto* bilateral alliance with Australia. The 2010 Wellington Declaration signaled that New Zealand and the US had overcome past disputes.

With the People's Republic of China's (PRC) increasing regional influence, American allies have a new factor to consider. The cooperation with America must be reevaluated in terms of the PRC's rising power. Australia is one of such cases – a long-standing American ally, who has to make choices in regard to China. Three of them are discussed below.

Controversy – Basing in Darwin

One of the recent issues in the Washington-Beijing-Canberra triangle is the basing of US troops in the Australian city of Darwin. This development is part of Australia's biggest military expansion since WWII.

The regional implications and consequences have been widely analyzed. What is much less known, however, are local concerns about this base. Some of the complaints expressed in the Australian media and experts' reports relate to the impoverished and crime-prone environment in Darwin, and the changeable and very difficult weather. The situation in the city is already problematic. Half year the climate is very dry, while the other half is more humid with a higher frequency of cyclones. The natural environment makes life there hard enough, more so for outsiders. The social environment is harsh. There is a high poverty rate, with the highest crime rate, imprisonment and homelessness rate in the country.[5] Even the traffic would be something new (for foreigners) – cars drive on the left-hand side of the road. But Australia is a continent, and does not face the opposition to bases that has long existed in Japan (not just Okinawa but in the main islands, particularly near Tokyo).[6]

Controversy – Stationing an Aircraft Carrier Group

Another recent flashpoint that has caught a lot of attention in the international media and experts' discussions is the massive expansion of a base in Perth for a US aircraft carrier and a supporting fleet. The idea originates from a Center for Strategic and International Studies (CSIS) report. It is often quoted as an example of America's domination over its ally. However, the document clearly implies more of a recommendation.

"We developed some options (…). And we evaluated those options. And then we derived from that evaluation our recommendations. It's really important, (…) to understand the difference between an option that we may have examined and a recommendation that ultimately we conclude, because just because we put an option on the table – for example, one of the options we looked at was the option of the US stationing an aircraft carrier in Australia. We rejected that option; we concluded it was not a viable option (…). But it is conceivable that someone looking only at one page of the report would think that we recommended putting a carrier in Australia."[7]

In respect to the mutual cooperation, Ben Brooker, a freelance journalist, makes an interesting point. He claims that the high approval rates, reported by Lowy Institute poll and CSIS, for the Australian-American alliance and deployment of US troops on Australian soil come from "the extent to which the Australian public is being kept in the dark and misled by its own government in respect of the alliance."[8] He then quotes examples of such cases, such as the spotting of "an unmanned American Global Hawk spy drone (that) had been flying in and out of the Royal Australian Air Force base at Edinburgh in South Australia since 2001." As Richard Tanter from the Nautilus Institute claims, the Australian Department's of Defence's denials of expanding American military bases are just a game of words – depending on how you define this tightening cooperation.[9] He adds that the defence minister Stephen

Smith misinforms the public. The US already maintains one of the most important intelligence interception bases in the world at Woomera, South Australia.

Whereas a substantial part of the discussion in recent months focused on the deployment in Darwin (which in military terms is rather symbolic) and on the aircraft carrier, there is a substantial upgrading of American military hardware and facilities going on behind the scenes, especially the signal intelligence capabilities and satellite communications. There has also been an announcement of the building of a US phased array space radar facility. Tanter points out that the Rudd government announced this last move as a contribution to the global public good. To underline his main argument he adds that although some of the bases are just called "joint facilities," they are mostly American, and Australians merely have access to them.

According to another senior researcher with the Nautilus Institute, the US has no official military bases in Australia, but controls about 40 bases (…) around the country.[10]

Taiwan – To Defend or Not to Defend

A much older issue in the Washington-Beijing-Canberra triangle is the question of Taiwan. Washington's and Canberra's expectations in this matter differ quite widely, with Australia being much more restrained and reluctant than Washington in this matter, as shown in the two examples described below.

The first one was a meeting of the former New South Wales premier and now Foreign Minister Robert Carr in 1999 during a session of the Australian-American Leadership Dialogue with Richard Armitage. Hugh White, then deputy secretary in the Defense Department, was reminded by his American homologue that their alliance is very much about supporting the US during a conflict over Taiwan. "What do you [Hugh White] think this alliance is about?" asked Richard Armitage, later to be George Bush's deputy secretary of state.[11] As one commenter wrote, the recent deployment of US troops in Darwin might equal to Australian commitment in terms of Taiwan.

Another illustration of this controversy was an incident in August 2004. While visiting Beijing, Australian foreign minister Downer was asked about alliance obligations and a hypothetical Sino-American conflict over Taiwan. He replied that such an incident would not automatically trigger the alliance. According to him, "The ANZUS Treaty is invoked in the event of one of our two countries, Australia or the United States, being attacked, so some other military activity elsewhere in the world, be it in Iraq or anywhere else for that matter, doesn't automatically invoke the ANZUS Treaty"[12]

Yet, there have been times where Canberra showed commitment to Taiwan as shown in the two examples below. The first example occurred during the 1996 crisis in the Taiwan Strait when Sino-Australian relations came to a low. Premier Howard condemned China's intimidation of Taiwan's first democratic elections and supported the dispatch of two American aircraft carriers along the Strait.

The second example came five years later. According to Gaye Christoffersen, "Howard's government has been one of the few in the Asia-Pacific region that has expressed support for missile defense and for Bush's policy on Taiwan. (…) It had agreed to help develop and implement a missile defense system."[13] During Howard's premiership, the Australian and Chinese navies had a stand-off during the Australians' passage through the Taiwan Strait. The Chinese accused the Australians of breaching the 12 nautical mile territorial zone, all of which took place just a week after "Australia's relations with China over Taiwan and arms sales have been further strained by comments by Prime Minister John Howard (…) supporting President George Bush, who declared that America would defend Taiwan if China attacked it."[14]

The Sino-Australian Economic Factor

The aforementioned discussion on Australia's changing security environment, which began at the end of the last decade, was paralleled by accelerating trade and mutual economic dependency. Due to the complementarities of the two economies – Australia's resources with China's cheap manufactured goods, China became Australia's major

trade partner, replacing the United States. Since America was no longer its largest trading partner, Canberra had to face the reality that its major ally and new biggest economic partner were rivals.[15]

Enjoying a close and very profitable commercial link with China, Canberra's economy has been immunized against the global financial crisis. At the same time intergovernmental communications have increased since the mid-1990s to include senior-level exchanges, regional security and arms-control talks, consular talks, a human-rights dialogue, bilateral aid talks and annual defense-consultations. A prominent symbol of the improving political relationship was Australia's invitation to Hu Jintao to address parliament during an October 2003 trip to Canberra – just one day after President's Bush's address to parliament. By many accounts Hu Jintao received a far warmer response than George W Bush.[16]

In the coming years, China will still be a source of economic opportunity for Australia, as will ASEAN, Australia's largest two-way trading partner[17].

As Dr. Remy Davison points out, already a decade ago he drew the Department of Foreign Affairs and Trade's attention to the fact that sooner or later, "hot economics would spill over into cold politics. Beijing would start pressing Canberra to choose sides."[18] He also draws a parallel to Australia's previous appeasing of the Suharto government from 1967-1999. He sees here a comparison to the recently more and more influential Beijing lobby. Davison also indicates the deepening dependence of Australian universities to the cash flow from the PRC coming with the influx of Chinese students. The same applies to "flow of Chinese capital to Australia's resources, food, tourism and real estate sectors."

As a result of the flourishing trade exchange and rising regional security concerns, Australian politicians felt forced to include the PRC's stance into their decisions.

China's Objections

The anxiety over Beijing's anger was very clear when Canberra decided in 2009 to brief Chinese officials before the release of its first defense white paper in a decade, "Defending Australia in the Asia Pacific Century: Force 2030," even before it was outlined to its own opposition.

This is a significant change since the 1990s and early 2000s, when the consensus in Australia was that it was premature to pursue a military expansion aimed at China.

During Kevin Rudd's premiership (2007-2010), his government unilaterally[19] decided to withdraw from the Quadrilateral Security Dialogue. It is an informal military and strategic alliance between the United States, Japan, Australia, and India, initiated in 2007. This decision was seen in Australia as motivated by the uncertainty of Sino-American relations, and by the fact that Australia's principle economic partner, China, was not its principle strategic partner. It was reversed by his successor Julia Gillard. Her policy shifted back to be more in favor of America and away from Beijing.

At the same time, the force driving Asia-wide military buildup is not only the rise of China, but the simultaneous potential decline of US military primacy. Therefore, an enhancement of Australia's own capability would not only allow it to contribute to US-led operations, but also grant the nation the ability to operate more independently if it needs to. As Australian financial adviser Christopher Joye points out, "[Secretary Clinton] does not conceive of this [keeping US leadership] as an 'Asian Century' but rather as 'America's Pacific Century'. [in her November 2011 "America's Pacific century" essay in Foreign Affairs]".[20]

Both Washington and Beijing care about Canberra's attention. Australia's policies towards the US and China seem to find a balance and accommodate both partners. According to Dr Hugh White, "The government was surprised that China reacted as negatively as it has to the decision to have Marines rotate deployments through Darwin, and I think they'll be very careful not to risk further displeasure from China by doing anything that suggests they're supporting a US military buildup in Asia".[21]

A way to disarm the situation, to make it more acceptable for regional partners and benefit Australia's international image as a bridge of dialogue and cooperation, comes from Daryl Morini. "If Canberra accepts a US base at Darwin, then it should at least negotiate observer mechanisms and exchange programmes with China, ASEAN, and any other interested parties to avoid stoking regional misperceptions."[22]

China's objections were expressed during a visit to Beijing by Australia's top diplomat Bob Carr. According to reports, the trip was dominated by concerns over Australian ties to Washington with the host criticizing their close military alliance.[23] One might remark that questioning this relationship was an interference in Australian internal affairs. The visiting foreign minister was perceived by the Australian media as rebuked by his host, by the British outlets as "grilled." The visit itself was received as without any avail. "Beijing has cast around for someone to provide a target (…), in lieu of the Americans, who are too important and too powerful themselves. (…) [Carr] has had to endure an unusually focused critique. (…)Foreign Minister Yang Jiechi had told him [Carr] "the time for Cold War alliances has long passed".[24]

China – The Challenge

As in the case of Japan, Vietnam, the Philippines and other China's other neighbors, Australia's intensifying mercantile ties with it are paralleled by security concerns and growing mistrust. In the last 4 years, the share of Australian respondents believing China's goal is to dominate Asia has risen from 60 to 65%, whereas 44% believe that it is likely or very likely to pose a military threat to Australia within the next two decades.[25] Almost 80% of Australians believe China's recent actions have been assertive and it will become an aggressive military power[26]. At the same time, 75% are saying China's rise has been good for Australia.[27]

Among Australia's security experts opinions on this issue vary. As mentioned above, the discussion was lead in recent years by the scholar and previous government member Hugh White, and last year stepped up by another scholar, Ross Babbage, who served on the government's advisory panel for the 2009 Defence White Paper. He called for a Flexible Deterrent Option, which would enable his country to "rip an arm off any major Asian power that sought to attack Australia".[28] According to him, China poses the most serious security challenge since World War II[29], an opinion which contradicts some of his views expressed in the White Paper that he coauthored. Wrote Babbage:"this report does argue that the Western Pacific security environment is being changed in fundamental ways by the scale and pattern of PLA development." How to cope with it? "The United States and its close allies should not seek to confront China. Rather, the intent should be to offset and balance the PLA's more threatening force developments and operations." The "main purpose should be to balance the PLA, to deter adventurism."[30]

This major issue in the otherwise solid US-Australian cooperation has been developing for some time. Chief of the Australian Defence Force, Gen. David Hurley revealed during a meeting at the Lowy Institute in Sydney, "When I am asked by my US counterpart what's my major concern about the relationship between Australia and the US, I say the relationship between your military and the Chinese."[31] This is nothing new. Five years earlier, Australian Minister for Defence Brendon Nelson stated that "we do not wish to have formal quadrilateral strategic dialogue in defence and security matters…. We do not want to do anything which … may otherwise cause concern in some countries, particularly China."[32]

It is obvious then, that the long-standing Australian-US defense alliance and cooperation is strained due to the scale of the former's involvement in trade with China. Australian civilian and military leadership is not content with Sino-American competition for dominance in Asian waters. Former Chief of Army Peter Leahy, who headed the Australian army from 2002-2008, makes it very clear: "I'm not satisfied that we have fully explained what our own national interests are in resource and territorial disputes in the South China Sea. My concern is that we are so embedded in the US planning process, we are so interoperable with them, that there's this expectation we will be involved in whatever [the US] does … We have to be careful that doesn't overwhelm our sovereign decisions."[33]

Former Australian prime minister Malcolm Fraser sums up the ongoing discussion: "more Australians are beginning to question the closeness and wisdom of strategic ties to the US. Perhaps Australia's best hope for stability and peace lies in China's refusal to be provoked."[34]

This need to choose is also underlined by one Canberra-based writer's opinion, who last summer wrote about the recent budget cuts: "Our objective has changed. (…) We are turning away from Asia (except in so far as we can assist the Americans) and looking east."[35]

So who would Canberra partner with? In a broader sense, this question relates to Australia's place in Asia, who does it side with – the Western or the Eastern world? The dean of the Lee Kuan Yew School of Public Policy in Singapore, Kishore Mahbubani, remarked recently in Australia: "By the logic of geography, the continent of Australia should have been populated with Asians. Instead, by an accident of history, Australia has been predominantly populated with Westerners."[36] He then adds, "Australia's intelligentsia is still reluctant to face head on Australia's painful new geopolitical realities."

Conclusions

The discussion on the evolving Sino-Australian-American relationship focuses on security cooperation and its extent in general, but also more specific issues like the basing of marines in Darwin, hosting of an aircraft carrier battle group, and defense of Taiwan.

Canberra's relationship with both powers will depend on the pace of the PRC's economic growth and the belligerence of its armed forces, America's potential decline, and the relationship between both of them. The Australian government is trying to find a balance between closer economic ties with China and ASEAN, while simultaneously maintaining its alliance with its long-time ally, the United States.

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