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Upside, Downside: ANZUS After Fifty Years

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I N F O R M A T I O N A N D R E S E A R C H S E R V I C E S

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Upside, Downside: ANZUS After Fifty Years

Gary Brown and Laura Rayner
Foreign Affairs, Defence and Trade Group
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Enquiries

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Major Issues

The fiftieth anniversary of the signature of the ANZUS Treaty (1 September 1951) provides an opportunity to assess the impact, value and future directions of the Australian-American defence relationship.

Australia is a relatively small state in alliance with what was, with the former Soviet Union, one of the world's two superpowers and is now the world's predominant military power. There is therefore a disparity in power and influence between the partners. For the US, the Australian alliance is one of many, and by no means the most important, but Australia's US alliance is unquestionably its single most important security relationship. In one sense, how this inevitable disparity has been managed over the last half-century, and how it will be addressed in future, is *the* major issue of the alliance.

For New Zealand, formerly a partner in this relationship, this disparity proved excessive. New Zealand was not willing to accept US policy positions (on nuclear powered and armed warships) which Washington considered to be necessary conditions of an effective alliance relationship. Accordingly Washington withdrew from its alliance obligations towards New Zealand, converting it from an ally to a friend. One could speculate that in any event, nuclear issues aside, it would have become increasingly difficult for New Zealand to sustain its alliance with the US on simple grounds of escalating cost.

This is certainly becoming an issue for Australia as the costs of US-sourced 'Revolution in Military Affairs' (RMA) technologies continue to rise, a trend accentuated by the fall in the Australian dollar vis-à-vis the US currency. At the same time, effective interoperability with US forces is an important aspect of practical alliance collaboration.

Other aspects of the relationship also raise important issues for Australia. The high-level *access* Australia has in Washington is of value to the extent that it can be translated into *influence*. Access to US military technology has made it possible for Australia to create an advanced Defence Force, but at the apparent price of an increasing level of dependence on American supply (and resupply if Australia is involved in combat operations). There is a possibility that if the relationship is not carefully managed at its Australian end, escalating dollar costs might make it so expensive as to become unsustainable.

Again, being an American ally can add weight to Australia's posture. It can also, however, constitute baggage when trying to manage important regional relationships such as that with China. If Sino-American relations, which have been intermittently strained over

issues like Taiwan and US missile defence programs, deteriorate significantly, Australia may find that its regional and alliance priorities come into increasing conflict. Moreover, Australia may incur diplomatic costs among regional states if it is perceived as alienating China, whose goodwill is regionally important, while supporting American interests.

Perhaps the single most important issue for Australia, however, is that of broad alliance management. This paper—though by no means a comprehensive treatment of the immensely complex alliance relationship—provides two opposing perspectives on the value of the alliance to Australia, but it is a theme in both that, precisely because the relationship is more important to Canberra than Washington, Australian management of the relationship is the key issue. Excessive expectations or misplaced faith can be damaging.

The story of the visit to Australia in 1908 of the US Great White Fleet, with which the paper proper opens, highlights the dictum quoted at the top of the first page: nations have no permanent friends, only permanent interests. To what extent the alliance will continue to support the interests of both partners into the new century is now the principal ongoing issue.

Introduction

*We have no eternal allies and no perpetual enemies. Our interests are eternal and perpetual, and those interests it is our duty to follow (Lord Palmerston, 1848)*¹

The Australian-American alliance is fifty years old. The ANZUS Treaty which was signed by the United States, Australia and New Zealand on 1 September 1951, and came into force on 29 April 1952, is the security element of a broader relationship between the United States and Australia. In the past half century, geographical and demographic factors aside, there has been no more single enduring feature of the Australian security environment. It is appropriate after so long a time to step back and consider the alliance relationship, its benefits and costs to the partners and any challenges which may be confronting it early in this century.

This paper is by no means a comprehensive treatment of the immensely complex alliance relationship. Rather it is an attempt to flag the principal costs, benefits and challenges and to give readers a range of perspective. Accordingly we have divided the paper into two main sections, benefits and costs, each of which seeks to emphasise and maximise the case it is arguing. We hope in this way to present readers with an encapsulated summary of the alliance and the principal issues surrounding it after fifty years. It should not be assumed that the positions taken here for the sake of argument necessarily represent the detailed views of the authors.

It may seem odd to discuss at the outset of such a paper the 1908 visit to Australia of the US Great White Fleet. However, the episode is illustrative of Lord Palmerston's famous dictum, quoted at the head of this page, and provides a useful conceptual context for thoughts about Australia's most important major external connection.

In 1908 the American 'Great White Fleet', the US Atlantic fleet consisting of sixteen battleships and fourteen thousand sailors, visited Australia on its circumnavigation of the world. The fleet was greeted with great enthusiasm in the ports of Sydney and Melbourne before sailing to Western Australia. Its visit had come at a time when Australians were concerned about Great Britain's 1902 alliance with Japan, renewed in 1905, and with the concentration of the Royal Navy in or near its home waters around Britain, seemingly leaving Australia bereft of immediate naval support for its defence. The Australian Prime Minister, Alfred Deakin, initiated an approach to the Americans, finally persuading 'a reluctant British government to extend a formal invitation',² and using the visit to further the cause of establishing an Australian navy, separate from the Royal Navy.

The Australian population fulfilled the prophesy of President Teddy Roosevelt's naval aide, that 'the officers and men will barely escape with their lives from the hospitality of the people'.³ The motives of the visitors, however, were less open and far less benign. President Roosevelt ordered that the visit of the Atlantic fleet should be in the 'character of a practice march'.⁴ The United States was also concerned with the rise of Japan and feared that tension between itself and Japan would lead to hostilities. In the event of a crisis between the US and Japan, Britain's ally, Australia and New Zealand, as loyal dominions of the British Empire would be potential enemies of the United States. Roosevelt felt it necessary to ascertain the sentiments of Australia and New Zealand. On a more practical level, Rear Admiral Sperry, the commander-in-chief of the fleet ordered that during the fleet's visits intelligence be gathered to compile war plans for the capture of New Zealand and Australian ports.⁵

Thus, when the fleet arrived in each Australian port to a tumultuous welcome, its intelligence team went to work compiling detailed reports on the defences and infrastructure of each city as part of invasion plans. The hospitality of the local population undoubtedly made it easier for the fleet's officers to gain insight into Australia's strengths and weaknesses, and probably direct access to the information necessary to prepare plans to capture the new nation's major cities.

Once completed and approved by the fleet commander-in-chief and submitted to the US Department of the Navy, the plans appear to have spent the rest of the century in storage. How seriously should the preparation of these plans be taken as evidence of American intent? The friendliness of the welcome and the evident similarities between the two peoples made a positive impression on the fleet. The hospitality of the Australian authorities and the people was an indication of Australian sentiment towards the US, and the 'invasion plans' were apparently never updated.⁶ However, the mere compilation of the plans was an acknowledgment of what US national interest might dictate could happen to Australia in the event of hostilities between the US and Japan. With the benefit of hindsight, the uneven, even opposing motives behind the developing relationship between the visitors and their hosts is instructive when examining the Australian-American relationship and alliance in the latter half of the 20th century and beyond. It is indeed a reminder of Palmerston's wise advice that nations do not have permanent friends or permanent enemies, only permanent national interests.

The remainder of this paper deals with the benefits and costs of Australia's US relationship.

The Positive Side: Advantages and Benefits of the Alliance

The ANZUS Treaty has contributed to a security environment and to circumstances which have meant that in the last half century Australia has not faced a direct threat to its security. Through its alliance with the United States, Australia has also benefited from having preferential access to US intelligence, to US technology, and to the US military

and government on a scale far greater than would appear appropriate for a country of Australia's size or power. Popular support for the alliance in Australia indicates that the Treaty has also provided Australians with a sense of security which has had domestic benefits as well as benefiting the nation's regional relationships.⁷

Like NATO, the ANZUS alliance became a creature of the Cold War, and like NATO it has endured beyond the original threat (albeit without the NZ in ANZUS). Some believed that NATO would wither without the Soviet threat, and so it might have, if its members had not—after some perilous hesitations—given it renewed credibility by their involvement in quelling Balkan conflicts.

The case for a post Cold War Asia is somewhat different. Stephen Walt argues that lingering historical enmities in Asia and the absence of strong multilateral regional institutions have meant that Washington's bilateral security arrangements with Japan, South Korea and Taiwan have 'offered both an impediment to regional competition and a hedge against a rising and increasingly assertive China'.⁸ Similarly, the ANZUS relationship endured because it was sufficiently flexible to adapt to post Cold War circumstances, and because both parties are liberal democracies in a region not entirely welcoming of such. The Australian-US cooperation in East Timor in 1999 gave ANZUS a role similar to NATO's in the Balkans, proving that both alliances can deliver positive outcomes in the post-Cold War world.

The Alliance and the Australian Psyche

The Historical Relevance of the Alliance to Australia

Europeans in Australia have always felt the need to look to a great and powerful ally for protection. Pre-Federation and until World War II, the Australian colonies and the nascent nation depended on Great Britain and its navy for defence and Australia considered itself as independent within the framework of the Empire. This dependence and need to belong were quite unremarkable given what Coral Bell describes as Australia's 'essential strategic dilemma', that is, a small population wanting to maintain its primarily Western identity 'on the fringe of a society of [Asian] giants'. Successive Australian colonial and federal governments have viewed 'the national situation as inherently one of long term insecurity'.⁹

In response to this strategic dilemma, Australia established a pattern of relationships with a great and powerful friend. It found this dependence hard to resist when given the opportunity in the early 1950s to negotiate a treaty which would secure the United States to supplement or replace Britain as an ally, especially as the US had proved so able and useful an ally in comparison to Britain during World War II when Australia was under direct threat. Australia was represented at the negotiations for the ANZUS Treaty by External Affairs Minister Percy Spender who used the United States' desire for a non-

punitive treaty with Japan to get the Americans to agree, albeit reluctantly, to enter into a security agreement with Australia and New Zealand to ensure their security against a resurgent Japan.¹⁰ With the fall of mainland China to communism and the outbreak of the Korean War, the US was anxious to secure a lenient treaty with Japan in order to use Japan as a bulwark against communism. Australian sentiment was against leniency, but Spender used the carrot of a peace treaty and emphasis on the connection between Australia's regional security concerns and the role expected of it by the US and Britain in the defence of the Middle East to get US agreement to an alliance.¹¹

For Australia the value of an alliance has been less in countering *specific* threats, than as a hedge against many *possible* threats. In other words, the alliance has been 'threat insensitive'.¹² The US benefits from the alliance are a staunch, politically and economically stable, democratic and reliable ally. Although the similarities between Australia and the US can be overstated,¹³ they are far greater than exist between the US and its other allies in the region. Australia is also not a great consumer of US defence assets, and the Australian connection has caused the US less trouble than its relations with Japan over Okinawa and the Philippines over the Clarke Air Base. According to the current Australian defence white paper, with the Asia-Pacific region emerging 'as a focus of global security in the coming decades, ... the US-Australian alliance is as important to both parties as it has ever been.'¹⁴

No alliance forged between nations is without costs to the parties. Maintaining the balance between gain and loss, maximising the benefits of the alliance remains a major challenge for Australia. An illustrative example of this balancing act relates to the image rather than the substance of alliance relations. ANZUS has enjoyed the support of successive Australian governments which have invested much energy, time and many resources over the years in maintaining and promoting the Treaty and in cultivating the image of the closeness of the Australian-American relationship. However, at times, Australian politicians have been judged to have gone too far in their enthusiasm for ANZUS. Prime Minister Holt's 'All the way with LBJ' and Prime Minister Gorton's White House dinner speech promising that 'wherever the United States is resisting aggression ... then we will go Waltzing Matilda with you' were unfortunate examples which understandably were met with outrage and derision.¹⁵ More recently the government has been criticised for not distancing itself from the casual description of Australia as America's 'deputy sheriff' in the region quickly enough, before it began to damage Australia's image with its neighbours.¹⁶

As close as Australian governments have liked to paint the US-Australian relationship, it is important for the long term viability of the alliance that both sides acknowledge that their perceptions will not always be the same and that allies can disagree without threatening the relationship.¹⁷ It is necessary, and within the spirit of the Treaty, that Australia views it as subject to its national interests and not the other way around. Many of the perceived costs and negatives arising from Australia's participation in ANZUS might have been avoided by the exercise of more restraint and better judgement, and by less

reliance on unquestioning promotion of the Treaty as the solution to all of Australia's security dilemmas. Nevertheless, occasionally excessive enthusiasm cannot detract from the central consideration: the US alliance has been, and remains, good for Australia.

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The Alliance as an Insurance Policy

The ANZUS alliance exists on a number of levels. The foundation stone is the Treaty document (for the text of the Treaty see Appendix 1), which at 11 articles is quite short in length and, it has been argued, so vague in meaning that it lacks certainty for the parties. The section of the Treaty which is central to the alliance is the first paragraph of Article IV:

Each Party recognizes that an armed attack in the Pacific Area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes.¹⁸

This vagueness, however, has a potential benefit. The possibility that armed attack would be met in kind by the other party/parties affords no comfort to potential aggressors, especially when taken in conjunction with the Treaty's introductory statement that the parties desire 'to declare publicly and formally their sense of unity, so that no potential aggressor could be under the illusion that any of them stand alone in the Pacific Area'.

The unspecified action which would be taken by the United States to meet common danger under Article IV has been the subject of much interpretation by Australian governments, the defence bureaucracy, academics and analysts over the life of the alliance. Australian defence policy papers have interpreted possible US assistance in relatively similar fashion, albeit with different emphases over the years. These differing emphases have echoed the increasing weight that successive Australian government white papers and policies have placed on the ability of Australia to defend itself. Thus in the 1950s and 1960s the alliance was seen as 'the guarantee of Australia's defence', albeit not an automatic guarantee, but one which required Australia to ensure that the US remained focussed on the region by sending Australian troops to Vietnam and by hosting US defence, communications and intelligence installations 'critical to US global strategic programs and operations.'¹⁹ By the mid 1980s the value of hosting the joint facilities was being argued by the Hawke government 'in terms of global strategic stability and, more particularly, Australia's own interests in deterrence and arms control.'²⁰ None of these shifts in policy resulted in or from amendments to the Treaty, all were the result of reactions to changing strategic situations, or of Australian and US governments' shifting perceptions and interpretations, and all were shifts that could be measured in degrees rather than as revolutions. What all these interpretations have in common is the continuing

recognition by Australian governments of differing ideologies that the alliance was critically important to Australia's security, and hence that the Treaty remained relevant. And despite shifting official interpretations, the underlying nature of the Treaty as an insurance policy against aggression remains important, especially in the public consciousness.

As an insurance policy ANZUS has had domestic benefits. It has been argued that Australia's dependence on the US alliance is a sign of foreign and defence policy weakness, that only when Australia is willing to rid itself of ANZUS will it be able to develop truly independent foreign and defence policies, policies that it is assumed would inevitably be better for Australia than those developed as a dependent ally. This gives no credit to the alliance for providing an environment of security which allowed Australia and Australians to look at the region and their place in the region with a growing sense of confidence rather than with suspicion. There is no guarantee that without the security that ANZUS has provided Australia would not have developed as an inward looking, less open and secure, more xenophobic society, a sort of apartheid-era South Africa in the South Pacific.

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The Alliance and Privileged Access

Access to US Government and Military

Under Article VII of the Treaty, the parties established a Council which with some exceptions met annually, and is now known as AUSMIN (Australia United States Ministerial Talks). AUSMIN gives Australian governments a formal mechanism for regular bilateral access to the US government at ministerial level and has been judged by successive Australian governments to be a valuable opportunity for wide ranging discussions on a number of issues, and to gain insight to US thinking, especially to changes in its defence policy. Without the alliance relationship it would be difficult for 'a geographically remote, medium-sized country to secure and keep the attention of a superpower.' Australian access to Washington also gives Australia the opportunity to present another perspective 'one that might otherwise be lost in the big picture of United States foreign policy'.²¹ This is also true at many levels in the bureaucracies and militaries of both nations.

The practical and tangible aspect of the alliance is the network of some 250 bilateral legal arrangements,²² agreements and memoranda of understanding which the ANZUS Treaty has fostered, especially under Article II of the Treaty which deals with effective self help and mutual aid in the maintenance and development of individual and collective capacity

to resist armed attack. As a result of ANZUS, Australia has privileged access to US military equipment, logistics and technology, as well as the opportunity to train and exercise with the US military and its other allies in the region. Australia is also part of a quadripartite arrangement known as ABCA (America, Britain, Canada and Australia) which aims to 'achieve agreed levels of standardisation necessary for two or more ABCA armies to cooperate effectively together within a coalition.'²³

The links between the US and Australia work at the strategic and tactical levels and in the field. The 1996 Joint Declaration ('Sydney Statement') which reaffirmed the US-Australian alliance commitments expanded combined exercises and opportunities for training which cover the full range of operational and tactical cooperation and interoperability.²⁴ Under ANZUS not only does the ADF have the opportunity to train regularly with the best equipped forces in the world, but exercising with the US is vital preparation for combined operations such as peacekeeping and peacemaking operations undertaken under United Nations auspices, for instance the Gulf War and more recently East Timor, where the US provided logistical and other support. Exercises and training with US forces enabled the ADF to judge its own performance and the level of interoperability with the US and often with other US allies. Success in such exercises gives the ADF confidence in its abilities and highlights areas in need of improvement. ADF personnel who acquire knowledge of US defence force practices while on exchange postings or during exercises such as Tandem Thrust gain skills which enhance interoperability between Australian and US forces, as demonstrated most recently during the Interfet operation in East Timor.²⁵

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Timor

In the case of East Timor, the US alliance did not result in the US offering combat troops or 'boots on the ground' for a peace-enforcement mission, as the Australian government reportedly expected.²⁶ This should not have come as a surprise, given increasing US reluctance to become involved 'on the ground' in intra-state peace-enforcement operations, especially since its experience in Somalia and given the reluctance of the US public to support extensive peacekeeping operations in Europe. Instead US assistance came in the form of diplomatic and economic pressure on Indonesia to allow the troops of the Australian-led 'coalition of the willing' to enter East Timor without resistance from Indonesian armed forces.²⁷ The positioning of a US Navy Amphibious Readiness Group consisting of approximately 2500 marines offshore reinforced US support for the UN mandated mission and was a demonstration of alliance solidarity.²⁸ The value of the alliance was also clearly demonstrated by the vital logistic support provided by the US

which included planes, helicopters, intelligence, communications, a civil-military operations centre, and a logistics planning cell.²⁹

There were evidently some early misunderstandings between the allies regarding the speed of the US decision-making on the deployment of US forces, with Australia apparently considering what the US saw as a 'highly accelerated decision-making process' to be too slow.³⁰ However, the US Administration appears to have been at pains to meet Australia's requirements.

The support that the US gave Australia over East Timor was quite in accordance with ANZUS parties' responsibilities under the Treaty, and Australian planning for the mission was assisted greatly by the close Australian-US military ties developed under the Treaty over the last half century. US-Australian cooperation in the East Timor operation can also be viewed as a positive example of 'burden sharing', one which the US will possibly use as an example for its other allies. Such 'burden sharing' is quite compatible with the Treaty and the recognition that the two allies have shared and complementary competencies gives the alliance credibility. This is of course no more than a latter-day development of President Nixon's 1969 Guam Doctrine, which in essence stated that US allies were expected to make meaningful contributions to their own security and not to 'freeload'. As has been suggested, albeit in another context, from each according to their abilities, to each according to their needs.

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Access to US Military Equipment and Technology

Under agreements flowing from Article 2 of the Treaty, Australia receives preferred status in the purchase of military equipment from the US which means that Australia has continuous access rather than having to negotiate approval on a case by case basis. Agreements with the US 'also provide for the supply of munitions and equipment in an emergency, alleviating the need for large-scale stockpiling by the ADF.'³¹ Some have argued that this defence procurement and logistics relationship is a two edged sword, with 'access' being a euphemism for dependence. But no nation, apart from possibly the US itself and especially a nation of Australia's size and population, can expect to be truly self-reliant, especially when 'the reality of modern warfare demands that allies technology fits well together.'³² Even in their quest for self-reliance, Australian governments have accepted that Australia has to depend on its alliance with the US to provide the technical wherewithal to enable it to defend itself. The 2000 Defence White Paper confirms the continuing relevance of this dependence, stating that 'the kind of ADF that we need is not achievable without the technology access provided by the US alliance.'³³

The recent decision on the *Collins* class submarine combat system shows that, 'access to US military technology ... gives us a vital edge in capability and operations'. The Australian Government gives credit to 'US Navy assistance with hull, mechanical and propeller technology' for 'improving acoustic performance and overcoming significant shortcomings in the *Collins* Class'. In the case of the combat system, the Government maintained that the decision to terminate the tender process was made on the basis that cooperation and inter-operability with the US was 'of overarching strategic importance to Australia'.³⁴

'Recent developments' notwithstanding, it would have been better for all concerned if this 'overarching strategic importance' had been identified as a selection determinant much earlier in the procurement process. Commentators criticised the decision as tying the RAN too closely to the US. Some found fault with 'the shambolic policy-making process' which 'has sent the wrong signals about Canberra's ability to formulate its own policy within the US-Australia alliance'.³⁵ That there may be debate about the decision making process does not negate the value of the alliance.

Australia would not have been able to develop or acquire the technical edge in the region that it has enjoyed without access to US military technology. For instance, the 1987 Defence white paper argued that 'privileged access to the highest level of US defence technology helps us to develop our own technical capabilities for control of the approaches to our continent,' citing the ability of Australian scientists to access US technology in the development of Australia's over-the horizon radar.³⁶ Des Ball points out that in order to defend a huge landmass and long coastline Australia's sparse population needs the type of sophisticated equipment that the US can provide. Ball points to this as the paradox of the US relationship being promoted in the 1987 white paper as indispensable to Australia's self-reliance.³⁷ But Australia would find it difficult if not impossible to be self-reliant outside the US relationship, and certainly such a course would be domestically unpalatable in political or budgetary terms. Therefore the most realistic solution is self-reliance within the alliance, especially as, although delayed by the Asian financial crisis, the ASEAN states and others in the region have narrowed the military technology gap between themselves and Australia. Any erosion of Australia's technical edge since the end of the Cold War would seem to make continuing access to US technology even more vital. It is noteworthy that those who speak of Australia's dependence on the US do not say how dependence on external supply might be avoided if we were not a US ally.

The US is at the forefront of the technological advances and the integration of systems referred to as the Revolution in Military Affairs (RMA). It has been suggested that RMA will be too costly for US allies, and in falling behind, these nations will lose the capacity for effective interoperability. RMA might also make the US's allies less necessary to it.³⁸ In the future, it is more likely than not that US forces will be involved in coalition operations, rather than one on one conflicts. In these circumstances, the US will continue to need its global alliances, RMA-ready or not. The 'arc of instability'³⁹ to Australia's immediate north and the increasing likelihood that Australia will be 'involved in combined

or coalition operations ... in which interoperability will be the key,⁴⁰ would seem to make it imperative that Australia keeps up with RMA as far as possible. Currently the US has the edge on RMA and it will be in its own interests, as well as those of its allies, that it does not leave its allies too far in its technological wake.

Access to and Sharing of Intelligence

Although predating ANZUS, the arrangements under which Australia has access to and shares intelligence with the US are an integral and very valuable part of the alliance and have recently been expanded. Intelligence sharing between the US and Australia began during the war against Japan. Signals intelligence cooperation and exchange was formalised under the UK-US-Australian Agreement (UKUSA) of 1947–48, described as remaining 'the most important international agreement to which Australia is a party'.⁴¹ UKUSA and the maintenance of the 'joint facilities', rather than ANZUS and its associated agreements, are considered by Des Ball to be 'the fundamental bases of the US-Australian alliance'.⁴²

Australia has hosted three US-Australian 'joint facilities' at: North West Cape (Western Australia); Nurrungar (South Australia); and Pine Gap. Of these, only Pine Gap remains operational as a joint facility and its functions have been expanded. The inevitable costs of being party to an alliance can be seen most clearly in the operations of these facilities. Their functions, communications and intelligence collection, probably made them 'high-priority nuclear targets' during the Cold War.⁴³ In addition, Australia lost a degree of sovereignty, especially at North West Cape because it did not have any control over the operation of the base, nor was it necessarily privy to the content of communications. Ball argues that the presence of the US facilities acted as a restraint on the development of Australian defence self-reliance and Australian arms control initiatives.

Successive Australian governments, however, have judged these risks and losses to be in Australia's interest, given the function of the facilities. Bearing these risks and costs 'represents Australia's most meaningful contribution to the alliance' which is reciprocated by the provision by the US of 'sophisticated technology necessary for Australian self-reliance in credible defence contingencies'.⁴⁴ Most importantly, Australia has benefited by receiving intelligence under these arrangements that it otherwise would not have seen. Approximately 90 per cent of the information flow is from the US to Australia, although Australia also contributes by providing intelligence on the Pacific and the south eastern fringe of Asia.⁴⁵ As the intelligence that Australia receives from the US is, by its nature, not available for public scrutiny, it is impossible to demonstrate its importance to Australia's security, however, the support that both major political parties have given to the intelligence connection with the US is an indication of the value of this relationship to Australia.

The Alliance in the Region and Beyond

Although the ANZUS Treaty refers to events and threats in the Pacific, it is important in a global sense because it is one link in a chain of alliances between democratic nations. Australia helped to found and belongs to the United Nations for the same sort of reasons that it promoted and joined ANZUS, e.g. 'to strengthen the fabric of peace in the Pacific Area'.⁴⁶ The strategic architecture of alliances to which the US and Australia belong bilaterally has been likened to overlapping plates of armour in which the sum is greater than the parts and the security of one is integral to the security of many. The removal of one link has the potential to weaken the whole and to destabilise the rest. This is especially so in the Asia-Pacific region where the US also has bilateral security arrangements with Japan and South Korea, and a US domestic law relating to the security of Taiwan. Australia is part of the Five Power Defence Arrangements with Britain, New Zealand, Singapore and Malaysia, and has bilateral security arrangements with New Zealand. Membership of the alliance has not stopped Australia taking independent and sometimes leadership positions on a number of issues, such as Australia's initiatives in Cambodia and its role in promoting chemical weapons control.

Many regional nations which have not wanted to be allied with the US for domestic or ideological reasons are not averse to the Australian-US alliance because it has helped to ensure a US presence which in turn has assisted in maintaining regional stability by linking US power to Southeast Asia.⁴⁷ Australia's alliance access can be a useful backdoor for influence seeking in Washington for countries which might want to use Australia as a representative on their behalf. For instance, Indonesia found Australia's membership of ANZUS useful as 'a back door to US military capability when the normal channels were closed'.⁴⁸ China also values Australia's close links with the US as 'an indirect way to test the temperature in Washington without the risk of losing face'.⁴⁹ The trade off for Australia for being used in this way is that it benefits from having more diplomatic clout in the region than its size or importance would warrant, which is useful in areas other than defence. Overall Australia will be treated with more caution and respect in the region as a US ally than otherwise.

However, such acceptance of the usefulness of Australian-US alliance as there is in the region has been predicated on the discretion that Australia uses at the interface between alliance and regional politics. The unfortunate 'deputy sheriff' tag, perceptions that Australia has 'pretensions of being a regional military leader', and understandable Australian pride in the success of its leadership of the peacekeeping mission in East Timor not unnaturally were resented and rejected by ASEAN countries, especially Indonesia.⁵⁰ The alliance is regionally useful, but this does not mean that Australia is always wise to emphasise its US connection when dealing with regional governments.

This resentment was probably increased by US Secretary of State, Colin Powell who made some complimentary and enthusiastic, if incautious, comments on the value of the alliance during his Senate confirmation hearing when he said:

In the Pacific, for example, we are very, very pleased that Australia, our firm ally, has played a keen interest in what has been happening in Indonesia. So we will coordinate our policies. But let our ally, Australia, take the lead as they have done so well in that troubled country.⁵¹

While this might have been playing to sections of the US domestic constituency which have argued strongly for America's allies, including Australia, to take greater, if not full responsibility for the security of their own regions,⁵² it resurrected the still warm 'deputy sheriff' image and cast a shadow over the independence of Australia's activities in the region as a sovereign nation.⁵³ It is thus likewise not always prudent for the US to overemphasise its ties with allies like Australia.

Challenges for the Future

The ANZUS alliance has proved a worthwhile arrangement over the last half century, but no relationship between allies can remain the same over decades, especially when the strategic situation itself has changed so much. In the next few years Australia will have to respond to US foreign and defence policy initiatives which will challenge the strength, the utility, and even the viability of its alliance with the US. The continuing value of the alliance to Australia will depend on the extent to which these challenges are compatible with Australia's national interests.

China/Taiwan

China once likened Australia's alliance with the US as the southern pincer in a movement by the US to contain China, Japan being the northern arm. Tensions between the US and China over Taiwan pose a significant risk of conflict in the region. As its ally, the US would expect Australia's support in a confrontation over Taiwan, possibly dragging Australia into a conflict not of its own making or choice.⁵⁴ If conflict over Taiwan did break out between the US and China, while the interests of Australia as a trading partner of all three protagonists would inevitably be threatened whether or not it was an ally of the US, Australian military assistance to the US could 'incur China's permanent wrath toward Canberra while doing little to influence the conflict's eventual outcome'.⁵⁵

Australia's alliance membership and its mostly friendly relations with China give it the opportunity to play 'a good offices role' in helping to dispel distrust and build confidence between China, Taiwan and the US.⁵⁶ As discussed above, Australia's relationship with the US is valuable to China as an indirect and face-saving way to gauge the mood in Washington.⁵⁷ Australia's access to the US decision makers should also give it an opportunity to offer wise counsel to the US to assist it to avoid the major policy miscalculation of underestimating China's willingness to escalate a cross-strait conflict.⁵⁸ Without overstating the influence Australia can have on the US, as an alliance partner

Australia has a better chance of helping the region to avoid the horrendous consequences of an open conflict between China and the US.

Missile Defence

The experimental US program to provide a shield against missile attacks by 'rogue states' or 'states of concern', which was known as National Missile Defense (NMD), has provoked negative responses from Russia and China as well as some US allies, many of whom expressed concern that it will threaten the viability of the 1972 Anti Ballistic Missile Treaty (ABM) and start a new arms race.⁵⁹ China especially sees the shield as threatening the credibility of her nuclear forces. The change of name from NMD to Missile Defense would seem to indicate an attempt to widen the value of the missile shield to include allies and even other nations.⁶⁰ There is also an indication of a possible softening in the Russian President's opposition, and Russia and the US seem to have reached a breakthrough agreement to begin talks on replacing the ABM with a global missile defence shield.⁶¹

The United States has not approached Australia formally, at least in public, for cooperation, but it is difficult to see how Australia could discourage the US from developing a method of protecting its cities and citizens from attack, or why it would want to. It is in Australia's interest to help to ensure that the US does not feel vulnerable to missile attack. A vulnerable US will be less likely to risk being actively engaged, or playing a leadership role in the Asia Pacific region. The consequences of a withdrawal of the US from the region could be an arms race between China and Japan and/or a regional power realignment in China's favour. As with the China/Taiwan issue, the challenge for Australia will be to balance its regional interests against its support for the US alliance.

Trade

The effect of US economic policies on Australian trade has been a source of tension between the two countries. Australian farmers have seen themselves as casualties of the US government subsidy war with Europe which has damaged Australian trade in commodities such as wool and wheat. While the ANZUS alliance gave Australian politicians access in Washington which they used to protest about the effect of US policies, the ANZUS Treaty is a security treaty in the traditional sense of security. Accusations that US is acting as an ally but not a friend of Australia and threats to the continuation of the alliance misunderstand the nature of the ANZUS Treaty. It deals first and foremost with military security and its function is not to protect Australia from the consequences, mostly unintended and however unfair, of US trade subsidies.

Given the relative size and strengths of the alliance partners, Australian governments have wisely resisted domestic pressure to use the alliance as a bargaining chip in trade negotiations as such pressure would be likely to do damage to the usefulness of the Treaty

without solving any Australian trade disputes with the US. Notwithstanding these considerations, if the US wishes public support for the alliance to remain high in Australia, it should make every effort to minimise the effect of its trade policies on the Australian economy. This will have to be kept in mind by both parties in any future negotiations on a possible US-Australian free trade agreement. Failure to secure a bilateral trade agreement which includes satisfactory coverage of agricultural issues could tend to 'generate disillusionment with the relationship more generally'.⁶² As Ross Garnaut argues, 'the economic interests at stake ... are too small to warrant any compromise or controversy in the wider political and strategic relationship'.⁶³ The challenge for Australian governments in the future will be to continue to insulate the security benefits of the alliance from domestic anger if US trade policies continue to damage Australia's trading position and economy.

US Unilateralism, Multilateralism or Both?

A major challenge to Australia in managing the alliance in the first decade of the new century might be to come to grips with the new Bush Administration's tendency towards unilateralism. In its first few short months, the Administration has indicated that it is willing to risk the displeasure of its allies and antagonise its 'strategic competitors' (Russia and China) with its threat to withdraw from the 1972 Anti Ballistic Missile Treaty unless Russia agrees to modifications which would make US development of a missile shield acceptable. The US has also put itself at odds with many in the international community with its opposition to the Kyoto protocol on climate change and the Comprehensive Test Ban Treaty, its rejection of the proposed convention on small arms and of an inspection regime for the 1972 ban on biological weapons. The Australian government's high level access to the US Administration will allow it the opportunity to give constructive criticism on the wisdom of these policies. At the very least the alliance provides a forum in which Australia's opinion can be heard.⁶⁴

Des Ball argues that the new century presents a more complex, diffuse and uncertain security environment with defence competing with economic, social and environmental issues for public attention, and warns that 'attempts to do too much with the United States, in terms of coalition operations far afield or inter-operability in capability planning ... would fracture the integrity of both the Australian defence posture and the bipartisan consensus in favour of an energetic defence effort' to the detriment of both Australia and the alliance.⁶⁵ If this is so, then Australia might also have difficulties with an increasing US focus on multilateral security in the Asia-Pacific region. Certain sections in the Bush Administration have indicated that the US might require more contributions and co-ordinated effort from US allies in handling regional crises.⁶⁶ Suggestions of an informal multilateral dialogue between US allies in the Asia-Pacific region arose at the recent AUSMIN talks in Canberra (a copy of the most recent AUSMIN communique is at Appendix 2). Informal dialogue between US allies in the region already takes place at a bilateral level, and allies conduct multilateral military exercises. Although the Australian government has denied that there is any intent to replicate NATO in East Asia, once made,

the suggestion provided an opportunity for China to portray the purpose of such an arrangement, however informal, as an attempt to contain it.⁶⁷ The challenge for Australia will be to safeguard those benefits of the Treaty which arise from its bilateral nature and which could be in danger of being watered down in a multilateral setting, and to assure China that it is not in Australia's interest to back it into a corner.

The Positives in Summary

The positive aspects of Australia's US alliance can be summarised as follows:

- The ANZUS Treaty has contributed to Australia's sense of security in its region
- The Treaty gives pause to possible aggressors
- ANZUS and its subsidiary agreements provide Australia with regular access to the US military and government at senior levels, allowing Australia's voice to be heard in Washington and allowing Australia to gain insight into US policies and decisions
- Preferential access to US military equipment and technology allows Australia to maintain a technological edge in its region
- The UKUSA agreement, now seen as part of the alliance relationship, has enabled Australia to receive valuable intelligence to which it would otherwise not have access
- Opportunities to train and exercise with US forces are valuable in developing interoperability between the US and Australian forces
- Being an ally of the US allows Australia to project its influence further and wider, especially in the Asia-Pacific region, than its size would otherwise warrant
- The Treaty helps to keep the world's only superpower engaged in the Western Pacific region
- The Treaty is part of a wider network of alliances that help to provide a stable security environment.

The Negative Side: Alliance Risks and Costs

It would be unrealistic, especially between states of widely disparate resources, to expect an alliance relationship to be without costs and problems. The benefits of the ANZUS alliance to Australia have been canvassed above; this section deals with risks and costs associated with the relationship with the United States.

Risks

For the larger partner in such a relationship there is a risk that its weaker ally might draw it into disputation, or even conflict, and the associated danger that the weaker partner may 'freeload', relying excessively on the capabilities of its more powerful ally. The frustration evidenced some years ago by the US with its ally Israel, is perhaps one example of a small ally being seen to abuse its special relationship.⁶⁸ There is also a risk, theoretical in Australia's case, that the small ally may 'defect' as Egypt and Somalia did from the former Soviet Union in the 1970s. Nevertheless, taken in the context of the larger state's overall security interests, this risk is not particularly large.

The weaker partner, however, is by definition more vulnerable. It has fewer resources and must therefore fear threats which the larger partner could view as trivial. It runs the risk that, as the 'price' of protection, its great ally may seek to dictate important aspects of national policy, or that it may demand involvement in conflicts with little or no relevance to the smaller state's interests. Arguably Australia's involvement in the Korean and Vietnam conflicts were of this type.

A less theoretical consideration for a state like Australia is that it may become dependent on its powerful ally for irreplaceable supplies without which the credibility of its military forces can be called into question. It is indeed arguable that in Australia's case this situation already exists. This matter will be discussed further below.

Above all, there is a risk that the smaller state, confronted with a genuine emergency, will find that in the circumstances then prevailing, its 'great and powerful friend' is unable or unwilling to provide necessary assistance.

There are risks that, as the 'price' of protection, a great ally may seek to dictate important aspects of national policy, or that it may demand involvement in conflicts with little relevance to the smaller state's interests.

Above all, there is a risk that in the rare hour of genuine need the 'great and powerful friend' may prove to have feet of clay.

Security Guarantee?

This last lesson has already been powerfully taught to Australia on one occasion when, in the early stages of the Pacific War, the British were unable to deliver on their promises of substantial military support in the event of a Japanese attack.⁶⁹ It was likewise taught by the United States to the former South Vietnamese regime which was, in the end, abandoned to its fate by a US tired of the Indochina war and unwilling to commit the resources necessary to defeat the communist forces. (True, South Vietnam did not have a formal security treaty with the US, but on the other hand American and South Vietnamese forces had been battlefield allies for at least a decade, until the US concluded that further military investment there was more than it was prepared to sustain). This assessment is

necessarily abbreviated, but it can hardly be denied that at the end of the day Washington withheld the military assistance the Saigon regime required if it was to survive.

Actually, official Australia has been well aware of this risk for perhaps the last two and half decades, as reflected in successive changes to key policy documents. In 1972 the McMahon government issued a paper describing the US alliance as 'the assured foundation of Australia's security'.⁷⁰ This, however, was the last time an Australian government would be so unequivocal about the existence of a United States security guarantee. By the time of the Fraser Government's 1976 White Paper, policy recognised that it would not be 'prudent to rely on US combat help in all circumstances', though it still stated that there were 'substantial grounds for confidence' that in the event of a fundamental threat 'US military support would be forthcoming'.⁷¹

A decade later, Paul Dobb's *Review Of Australian Defence Capabilities* had moved further, stating bluntly that there are no guarantees inherent in the alliance. The following 1987 White Paper, *The Defence of Australia*, did not go so far, but in a revealing sidelight on how key official documents were prepared at the time, reproduced almost verbatim the 1976 formula that there were 'grounds for confidence' that American military support would be made available in an emergency. Only the word 'substantial' was missing from the 1987 document, an alteration which presumably reflected one in the level of confidence felt by the governments which authorised the two documents.⁷²

Australia's most recent White Paper, *Defence 2000: Our Future Defence Force*, uses different words. It recognises that ANZUS 'does not commit either of us in advance to specific types of action, but... does provide clear expectations of support'. The 2000 White Paper goes on to say that Australia believes that if we were attacked 'the United States would provide substantial help, including with armed force'.⁷³

It is important to note that the government's position on this issue is based not on any specific commitment from the United States but on what is freely admitted to be a belief. In other words the government has faith that the United States would provide substantial help, but cannot show that this is true. This is in fact little more than the early 21st century version of the position taken by Australia with respect to British promises of assistance made prior to the outbreak of World War II. As such, it must be a matter of concern that a key aspect of Australia's national security is actually based on what amounts to a belief rightly or wrongly held by government. If, as was the case in 1941–42, this belief is wrongly held, then the consequences for Australian security cannot be predicted.

Thus, even though there has been a commendable shift in the attitude of the governments towards the question of an American security 'guarantee', it still appears to be the case that Australia relies on an implicit US guarantee the existence of which is not supported by the facts. It is in fact noteworthy that the only unequivocal guarantee given by the US in recent times was the widely criticised assurance issued by President George W. Bush to Taiwan early in his presidency. No such unequivocal guarantee has ever been issued by the United States to Australia.

In saying that 'it is realistic to assume that the parties will continue to approach each situation in accordance with their respective national interests' Paul Dibb was doing no more than stating the obvious. However, it is necessary to note the implications of such a stance. The affair of the Great White Fleet visit in 1908, discussed above, when the US Navy in effect 'sized up' Australia as an invasion target if it supported a UK-Japan alliance detrimental to American interests, shows what approaching situations 'in accordance with their effect of national interests' can imply.

The ANZUS Treaty provides for consultation in the first instance. There are no guarantees inherent in it. It is realistic to assume that the parties will continue to approach each situation in accordance with their respective national interests.

Paul Dibb, Review Of Australia's Defence Capabilities, AGPS 1986, p. 46.

Self-reliance and Dependence

Since the 1970s self-reliance has been a key element in Australian declaratory security policy. However, any realistic assessment of the capabilities of a small or medium power like Australia must recognise its inability to support high-technology Defence Forces without access to overseas sources of spares and technical support.

The lead-up to the 1991 Gulf War gave Australia an educative experience in this regard. Far from being self-reliant, it transpired that Australia urgently needed supplies from the United States in order to prepare a number of key platforms, especially warships, for combat operations. Without these supplies, it would have been impossible to commit Australian forces to the potentially lethal combat environment in the Gulf.⁷⁴

More recently, the Defence Department has released information showing the extent to which Australia remains dependent on US-based supplies and support. The ADF inventory includes a great deal of equipment which requires direct US support, even involving shipment of the equipment, or key components, back to the supplier. The following table shows some of the more important items for which essential maintenance must be carried out in the United States. These include key components of the *Standard* surface-to-air missile, the *Harpoon* antiship missile, the *Sidewinder* and *Sea Sparrow* air-to-air missiles, the F-111C and G aircraft, several helicopter types and major warship systems.

Major ADF Equipments with critical components serviced or replaced in the United States

Project	Components repaired in US
<i>Standard</i> SAM1	Seeker heads, guidance sections and units
<i>Harpoon</i> antiship missile	Seeker heads, guidance sections and units
<i>Sidewinder</i> AAM	Seeker heads, guidance sections and units
<i>Sea Sparrow</i>	Seeker heads, guidance sections and units
Torpedoes Mk 46 & 48	Guidance units and transducers

Project	Components repaired in US
F/A-18	Avionics and radar
F-111	Avionics, oxygen systems, optical equipment, engines
<i>Iroquois</i> helo	Engine
<i>Blackhawk</i> helo	Avionics and airframe
<i>Kiowa</i> helo	Avionics
<i>Chinook</i> helo	Avionics and airframe
FFG frigate upgrade	Electronics support antenna, SPS-49 radar, Mk41 missile launch system

Source: This table is adapted from one provided in Australian Senate, FADT Legislation Committee, *Additional Information Received: Budget Supplementary Estimates 2000–2001*, vol. 3, February 2001, pp. 15–16.

Given the obvious criticality to ADF operations of most of the platforms or weapons included in the above list, it is clear that any inability to obtain repair or replacement services for them could have serious operational consequences. Thus it can be said that in these areas Australia is dependent on the United States. The existence of this type of dependence is acknowledged in the recent Defence White Paper (see box below). The risk, of course, is that for whatever reason, and despite the existence of elaborate agreements outlining how the ADF is to receive logistic support from the US, the needed parts or services are unavailable or inaccessible just when they are required. The political and operational implications of this uncertainty will be addressed further below.

The kind of ADF that we need is not achievable without the technology access provided by the US alliance.

—*Defence 2000: Our Future Defence Force*, para 5.9

Costs

It could hardly be expected that active participation in an alliance with the world's major military power would be cost-free. In fact, Australia incurs political, economic and military costs as a result of its alliance obligations.

Political Costs

As a US ally Australia can be automatically typecast in the international community. It is recognised that on many matters—though by no means all—Australia will support the US position and even seek to promote it. There have been numerous instances of regional governments and commentators characterising Australian initiatives as the actions of an American surrogate.

Indeed, at present there is an issue which brings this cost of the alliance into sharp focus. The United States is pursuing a program of Missile Defense (colloquially called 'son of

star wars'). This program is controversial and has been criticised not only by Russia and China, but by several major US allies including the UK, France, Germany and Canada. The US wishes Australian support for NMD. However, Chinese opposition to the concept appears to be deep-seated and unlikely to change. Therefore Australia may be forced to choose between its US ally and a China it needs to keep as a friend in the region. Whichever way the choice goes, it is clear that there will be political costs.⁷⁵

But Australia's manifest dependence on the United States for military resupply, discussed above, also carries certain political costs because it can undermine the credibility of the Defence Force. Even so close a US ally as Israel has learnt to its cost that Washington will use its control of resupply to force an ally to comply with American wishes. When, towards the end of the Yom Kippur war in 1973, Israeli forces were operating too successfully against Egyptian and Syrian opponents, Washington became concerned. Hotline conversations with the Soviet leadership revealed that Moscow would not tolerate Israel overrunning its Arab opponents and entering Cairo or Damascus, which was a military possibility at the time. To satisfy Moscow (and remove the risk that the war might drag the US and USSR into direct confrontation) Washington restrained the Israelis by restricting or threatening to restrict the flow of supplies.

It can be cogently argued that this was, in terms of global stability at the time, a responsible and necessary step which headed off the risk of war between the then superpowers. But the fact remains that Israel, in a military position to cripple its principal Arab enemies for a long time to come, was prevented from doing so because its great and powerful friend used its control over Israeli supplies. One cannot speculate as to future scenarios which might involve Australia, but nor can one exclude the possibility that Australia might be prevented from prosecuting a conflict because the US, for broader reasons, deems it inexpedient that Australia be too successful against a certain opponent. Thus Australia needs to recognise, as will any potential future opponents, that its use of the ADF to conduct effective military operations on all but the smallest scale, is dependent on ongoing US logistic support.

To be sure, proponents of the US alliance point out that even the *possibility* of American assistance is likely to give potential aggressors reason to pause. This is in fact perfectly true. However, it is also true that Australia must consider the possibility that US assistance will not be forthcoming and, as it is likely that Australia will be far more dependent on the United States than will be the aggressor, clearly that the impact of US decisions will be far greater in Canberra than in the aggressor capital. Thus, the argument that Australia's American alliance acts to deter potential aggressors is not so much incorrect as it is incomplete: for completion, it is necessary to add the point that for Australia successfully to resist all but the most minor aggression, support from United States will be an essential precondition.

It was noted above that one risk run by the junior partner in an alliance is that it may be dragged into conflicts on behalf of its ally which, otherwise, it could have avoided. With the abrupt change in the American perception of China from 'strategic partner' under

President Clinton to 'strategic competitor' under the present Bush Administration, there is a risk that Australia may find itself co-opted, as it were, into a US-led strategy of containment directed against China or, in the worst case, into actual military conflict with China. Should this occur, it would be for broad strategic reasons important to the US, but fatal for Australia's carefully-managed China relations policy. In short, our good relations with China, the overall Australian regional security policy which springs from them and of course economic benefits such as lucrative business opportunities connected with the 2008 Olympics in Beijing, could be sacrificed on the altar of the US alliance in the interests of American global strategy.

Rising Costs of Equipment

In the past, supporters of the US alliance used to argue that Australian participation saved the country significant sums in defence expenditure. In 1987 for instance, the then Defence Minister (now Opposition Leader), Mr Beazley, argued that at least an additional one percent of GDP—\$2.6 billion more per annum additional to the then \$7.5 billion defence budget—would have been required 'for Australia to replace from its own resources the benefits inherent in the US alliance.'⁷⁶ Based on the 1999–2000 GDP, one per cent of GDP is about \$6.3 billion.⁷⁷

However that may have been, in the early twenty first century matters appear to be rather different. There are two reasons for this. One is the so-called 'Revolution in Military Affairs' (RMA) which, especially since the Gulf War against Iraq, has come to dominate western military thinking and, in particular, the structure of the US armed forces. The other has been the substantial decline of the Australian dollar vis-à-vis the US currency.

RMA is really only a convenient label for a bundle of information-age technologies applied to military operations. Involving not just superior intelligence gathering, collation and distribution capabilities, but also vastly increased accuracy and reliability for weaponry, the RMA bundle when properly applied can multiply the effectiveness of forces thus equipped many times over. This is particularly so when such forces are pitted against numerically superior, but less well equipped, opponents such as Saddam Hussein's Iraq or even Slobodan Milosevic's Yugoslavia. RMA is, however, massively expensive and in point of fact the only country which can afford to 'go all the way with RMA' is the United States itself. Even major NATO allies like the UK must make difficult choices when considering how much of the US technology to take on board. So much more so for Australia, with its relatively limited resources.

However, an important element of Australian-American military cooperation is what is known as *interoperability*, or the capacity of military systems on both sides to exchange data and correlate information so that military operations can be conducted with a high degree of coordination and effectiveness. Interoperability depends upon shared technology, or at least upon the existence of technologies capable of translating in near real-time data from one source into formats readable by other systems.

The high and ever-increasing cost of RMA means that the level of interoperability between Australian and US forces may decline. Except in a few specially chosen and nurtured areas, it may well be impossible for Australia to keep up with its principal ally. Put another way, the United States is in danger of pricing itself out of the market as an ally with which middle powers like Australia can effectively operate. Indeed, even the UK is finding the going increasingly difficult. The British, while recognising the need for interoperability with the US, observed in their 1998 *Strategic Defence Review* that the 'pace of technological advance ... makes it unlikely that every opportunity can be exploited. Hard choices will be required to cope with the wide range of possibilities within a limited budget'.⁷⁸

In an Australian context this may lead to the development of a two-tier Defence Force: the upper tier, smaller but consuming a disproportionate share of available resources, would be capable of effective interoperability with the US. The lower tier would be larger but receive a smaller share of resources. The risk of such an alliance-produced distortion of ADF force structure would be that the lower tier would suffer from neglect as the RMA-intensive upper tier consumed an increasing share of the limited defence budget.

The United States is in danger of pricing itself out of the market as an ally with which middle powers like Australia can effectively operate.

The alliance relationship does not involve 'friendship' discounts or similar financial concessions from the United States for Australian purchases of defence equipment: we pay the going rate, in US dollars, for what we acquire. Thus the cost to Australia of defence purchases from the US is accentuated by the decline of the Australian dollar (AUD) against its US counterpart (USD). This has been highlighted in recent times but in fact is a long term trend.

In July 1975, the AUD bought almost \$US1.30; by July 1984 it had fallen to 83 US cents and by July 1990 to 79 US cents. In January 2001 the AUD was worth just 54 US cents, and has been lower than that for most of the year since then.⁷⁹ Thus, even discounting the effects of cost rises due to the introduction of advanced new technologies, or by inflation in supplier states like the US, the purchase of defence-related goods and services from the US—and indeed other states against which the AUD has fallen—is now a much more expensive proposition. While it is true that the Department of Finance and Administration (DOFA) indemnifies Defence against currency movements, what is at issue is the ability of the Government sector as a whole to absorb their net effects. Given that DOFA cannot reasonably be expected to cover all the consequences of the AUD's long term decline, it is clear that the nation's ability to fund costly high-tech RMA purchases is increasingly limited. This in turn limits Australia's capacity to operate with US forces at higher levels of capability.

The decline of the Australian dollar further limits Australia's future capacity to operate with US forces at higher levels of capability.

Other Economic Penalties

There are economic penalties of another kind, less directly connected to the alliance relationship, but nevertheless an important component of the total Australia-US relations package. While Canberra and Washington are security allies, in many areas they are increasingly economic and trade competitors. In the eighties the US used its Export Enhancement Program (EEP), which subsidised US agricultural exports, to undercut unsubsidised Australian exporters in several important markets, provoking severe criticism from the Australian farm lobby. With the conclusion of the World Trade Organisation (WTO) agreement in 1994, direct subsidies of the EEP type became subject to challenge, and the US switched to the imposition of quotas and import restrictions ostensibly based on quality control or health grounds to protect its domestic industries from Australian competition in the US market. The most recent case, involving severe American import restrictions on Australian lamb products, was resolved in Australia's favour following a protracted WTO disputes process, but it may take as much as fifteen months before the US is obliged to lift the restrictions.⁸⁰

While it can be argued that security is one thing and trade another, it should also be understood that by its predatory attitude to Australian markets, and in particular by undermining the viability of the Australian agricultural sector, the US actually weakens Australia's capacity to support security-related expenditure. Moreover, by alienating the generally conservative rural sector, the US weakens one important source of support for the alliance.

Recent suggestions of a Free-Trade Agreement (FTA) between Australia and the US, though still tentative, have definite negatives as well as positives. In particular, an agreement which effectively excluded all of Australia's other major trading partners from what would be seen (or at least deliberately misrepresented) as an Australia-US 'trading bloc' might send entirely inappropriate signals to the region. It is notable in any case that the mooted FTA might well exclude the difficult primary products sector.

Australia's inability to influence the US on agricultural and trade issues also highlights the limitations of the alliance relationship. While it is clear that the relationship confers on Australia—at least at the government level—a significant degree of *access* to Washington, it is less clear that this access can be turned into effective *influence*. It seems much more probable that any administration in Washington will pay far more attention to its vociferous farm lobby, on whose support election or re-election can depend, than to a distant, minor and voteless ally.

Finally, the growing American pressure on allies for so-called 'burden sharing'—in truth, an unobvious code for cost-shifting—certainly does impose additional burdens on its partners. These burdens may indeed be counted in dollars in the first instance, but (as is discussed immediately below) can also take the form of operational costs and alliance-related distortions of the national force structure.

Operational and Force Structure Costs

Operational and force structure costs to Australia of the US alliance are in effect spinoffs of the institutionalised dependency already discussed. But besides the obvious dependency implications, there have been other, less immediately apparent, costs to Australia. Three examples—two historical, one current—will serve to illustrate this point.

In the late fifties and early sixties the US Army was refocussing its structure towards counterinsurgency (COIN) warfare, away from large conventional operations such as those fought during World War II or Korea. To better conduct operations the US Army decided to restructure its basic infantry division. A new structure, the 'Pentomic' divisional structure, intended to facilitate COIN operations was introduced in 1959–60. In the name of what would today be called interoperability, Australia followed suit, introducing a slightly modified Army divisional structure—the 'Pentropic' division to replace its traditional British-derived divisional organisation. However, the US then decided that its Pentomic structure was unsuitable, and after only twelve months abruptly abandoned it for all units exclusive of a single division based in Hawaii. Left in the lurch, as it were, Australia continued with the Pentropic structure for a few years and then dropped it in 1964, ironically just before moving into large scale COIN operations with the US in Vietnam.⁸¹

A more recent example concerns something as fundamental as the physical fitness tests used to certify that soldiers are fit for action. In 1988 Major S. J. Rudzki of the Royal Australian Army Medical Corps, a qualified expert on physical fitness testing, published an article suggesting that the then Australian Physical Training Test (PTT) was derived from a US Marine Corps test and had been 'foisted' on Australia via the alliance connection. He wrote:

It would appear that, when first introduced, the PTT was adopted directly from the Marine Corps test with no apparent consideration being given to its relevance to the Australian situation ... We need to reject an imposed American model and adopt tests which meet our needs and our requirements.⁸²

The current instance is by far the most significant. It is well known that the RAN's new *Collins* class submarines have had significant problems since their introduction. The principal problems have been excessive noise and a seriously inadequate combat system (the software intended to run the submarine's systems, sensors and weapons).⁸³

Subsequent experience shows both the strengths and weakness of Australia's association with the US. It was testing at American facilities which quantified the extent of the noise problem, and US assistance with hydrodynamic flow and propeller cavitation issues has certainly helped the Navy achieve significant improvements in the noise signature of the *Collins* class.⁸⁴ These are of course strengths.

Weaknesses are apparent, however, notably in respect of attempts to achieve a functional submarine combat system. It has been reported that the Navy's submarine professionals wished to acquire a variant of the German-built ISUS combat system, installing it in all six *Collins* boats to give them a functional system. ISUS has been in service with the Israel Defence Force for some time and is thus proven off-the-shelf technology.

The Government had been running a source selection in which ISUS (produced by the German firm STN Atlas) and another concept from the US company, Raytheon, were the principal contenders. This process was abruptly aborted, however, and an announcement made that a solution would be sought in collaboration with the US.⁸⁵ In a rather unspecific statement on 9 July this year the Minister for Defence (Mr Reith) said:

Recent developments in the relationship between Australia and the US on submarine issues together with the accumulated experience and emerging understanding of the operational potential of the *Collins* Class submarines has made this decision most appropriate in our strategic circumstances ... Increased cooperation and interoperability on submarine matters with the US, together with the increasing national security cooperation opportunities this provides, is of overarching strategic importance to Australia.⁸⁶

It would appear that in this case the 'overarching strategic importance' of cooperation with the United States has overridden the reported professional judgement of the RAN submarine arm that acquiring the German ISUS system would most speedily bring the *Collins* class closer to effective operational status. A decision to acquire ISUS could have been put in train almost at once, with each *Collins* boat being successively retrofitted. The Government's decision, whatever unspecified long-term strategic benefits might accrue, will delay any prospect of bringing the *Collins* class combat system up to a satisfactory level of performance for at least a further year. Clearly in this case one effect of our relationship with the US has been to impose further delays.

Moreover, the decision is puzzling from a purely operational standpoint. As noted, ISUS is a proven in-service system for conventional (non-nuclear) submarines. The US, however, has had no experience of operating conventional submarines for decades: all it knows of modern conventional boats most probably comes from allies. The systems it designs for its own nuclear-powered submarines are predicated on two assumptions, both of which are invalid for conventional boats like *Collins*. These assumptions are, first, that there is virtually unlimited power available (from the nuclear reactor) and, second, because of the generous power regime, that crew numbers can be relatively high, thus placing less stress on automation. Conventional boats, however, run on very limited power (batteries charged by diesel engines) and crew numbers are at a premium. Thus, adapting US nuclear submarine combat system technology for Australia's conventionally-powered boats is unlikely to be a simple case of scaling-down for smaller boats but will probably involve reconfiguration. This inevitably involves an element of risk and, moreover, contradicts the clear recommendation of the McIntosh/Prescott report that combat system proposals should be restricted to 'only proven in-service systems'.⁸⁷

The recent *Collins* decisions, then, are arguably potential mistakes which, if realised, can be laid to the charge of Australia's alliance relationship with the US.

As already discussed, US pressure for 'burden-sharing' can take result in force structure distortions and operational consequences. Given the noteworthy reluctance of the US to commit its own personnel on the ground, as distinct from so-called 'stand-off' and logistic support roles, burden-sharing can mean that it is the allies rather than the US which run the greater proportional risk of incurring casualties in alliance-related operations.

The Negatives in Summary

The negatives of Australia's US alliance can conveniently be summarised as follows:

- The alliance documents (the ANZUS Treaty and subsidiary papers) do not provide Australia with any guarantees of assistance. In fact only Taiwan, after President George W. Bush's recent announcement, has a US guarantee of assistance
- In some circumstances the US may be unable or unwilling to provide direct military assistance to Australia in time of major emergency
- Australia's dependence on the US for key materiel and resupply means that the ADF cannot sustain any but the most minor operations for any length of time without American materiel and logistic assistance; this enables the US, as has occurred with the Israelis, to dictate the terms on which Australia conducts military operations
- The ever-increasing costs of keeping up with US military technologies, exacerbated in Australia's case by the decline in the Australian dollar vis-à-vis the US dollar, are pricing the US out of the market as an ally with which modestly-resourced states can cooperate or interoperate effectively
- Force structure and equipment decisions can be distorted because of the desire to remain close to the United States
- Though the alliance relationship has given Australia excellent *access* to the highest levels of the US administration, there is little indication that this access translates into effective *influence*.

Conclusions

The single most important issue for Australia regarding ANZUS has been that of broad alliance management. This paper provides two opposing perspectives on the value of the alliance to Australia, but it is a theme in both that, precisely because the relationship is more important to Canberra than Washington, Australian management of the relationship

is particularly important, and excessive expectations or misplaced faith should be avoided. Accepting that the ANZUS alliance has been 'threat insensitive', the extent to which it will continue to support the interests of both partners into the new century will be a challenge for the future.

Upside

While there is room for argument about whether Australia has handled the alliance as adroitly as it could have, Canberra's missteps or over-enthusiasms do not of themselves constitute a case against it. Better management and less rhetoric would improve Australia's ability to maximise its alliances gains.

Critics of the alliance often assume that downgrading or breaking the alliance would result only in benefits with little or no political costs to pay. Certainly New Zealand has not suffered substantially since it was suspended from ANZUS, but comparisons between the value of the Treaty to New Zealand and Australia are not necessarily valid. While the ANZUS Treaty has always been considered the cornerstone of Australia's defence, it was of less importance to New Zealand's security needs and New Zealand's contribution to defence cooperation was 'the bare minimum consonant with membership of the alliance.'⁸⁸ New Zealand is also in the happy position of having a large island to its west, the presence of which, in friendly hands, virtually guarantees New Zealand's security at little or no cost to itself.

The costs of Australia suspending or removing itself from ANZUS would be wide ranging, and not only for Australia. Australia would lose much of whatever technical edge it possesses in defence in comparative regional terms and this loss could not be overcome quickly or easily, if at all. Coral Bell has noted an estimate that without the US the NATO countries would have to quadruple their defence spending to maintain their current strategic environment, and that Australia would have to do something similar without its US alliance.⁸⁹ As previously noted, the then Defence Minister estimated in 1987 that Australia would have to increase its defence spending by at least one percent of GDP. Whichever estimate is accepted, it is obvious that substantial additional outlays would be required without the American alliance. As the alliance enjoys public support, it is unlikely that the Australian community would accept losing what it regards as a useful insurance policy with a long time compatible ally, especially at the cost of more taxes or less government spending on health, education etc. Australia would risk becoming more insecure and inward-looking at home, and more isolated in the region and globally. More importantly, a break-up of the alliance would remove a vital piece of the regional security framework, weakening it and paradoxically risking greater regional insecurity than ANZUS's critics blame on it.

As Des Ball argues, 'the vitality of the alliance has been threat insensitive'.⁹⁰ The ANZUS alliance was undertaken to guard against a resurgent Japan but almost immediately it was used to provide security against Communism. The ANZUS alliance has proved a very

flexible arrangement, a sort of alliance for all seasons. In its first half century the relationship between the US and Australia weathered Australia's discovery of its relative lack of importance to the US during the transfer of West Irian to Indonesia.⁹¹ It survived the shock of the Guam Doctrine and the lack of consultation or even warning of changes in America's policy on Vietnam⁹² and the Peoples' Republic of China. It survived Australia's denial of support for the Reagan Administration's Strategic Defence Initiative, and the suspension of New Zealand's participation.

These were not examples of the weakness of the alliance per se, as the essence of the alliance, the response of the parties to an armed attack on one of them, has never been tested. If these instances have been negatives for Australia, they could be said to have been the result of Australia reading too much into the alliance in a dangerous tendency to elevate expectation, hope and even wishful thinking to the status of policy. ANZUS might be flexible but it is not endlessly elastic. If the alliance is sensibly managed, there is no reason why a relationship which has proved so useful to Australia could not or should not be used to help Australia in maintaining its security in the uncertain post-Cold War environment.

Australia has recently seen the benefits of the closeness of the US-Australian relationship which proved invaluable in assisting Australia to undertake the role of coalition leader in East Timor successfully. Australia's role in Cambodia, and its initiatives in chemical weapons control are proof that an independent Australian defence and foreign policy and Australian-US alliance are not necessarily mutually exclusive, unless Australia forces them to be so.

Downside

It would be foolish indeed to deny either the long-term durability, or the real benefits, of the Australian-American defence relationship. However it could be equally unwise to neglect the fact that for all its upside, the alliance carries an inevitable downside as well.

The single most important downside is arguably the state of military dependence on a foreign power in which Australia now finds itself. For all the talk of 'self-reliance in an alliance framework' which has informed official Australian policy for the last quarter century, it is clear enough from the evidence presented earlier that the ADF is critically dependent on US supply and support for the conduct of all operations except those at the lowest level and of short duration. To conduct operations requiring the use of advanced ADF weapons or platforms and to sustain such operations for any length of time, it is clear that Australia will need American support. Put another way, it is almost literally true that Australia cannot go to war without the consent and support of the United States. This represents a substantial sacrifice of national freedom of action, and must be counted as a significant cost.

The complication of Australia's regional relations by the need to allay suspicions that things we do or support are actually part of US-sponsored agendas is another significant downside. Such perceptions are only reinforced when Australia embraces such controversial American initiatives as Missile Defence and the scrapping of the Anti-Ballistic Missile Treaty. When Australia cannot even contemplate some increase in security dialogue with Japan and South Korea without attracting strong Chinese criticisms, it is clear that some states do not always believe that Australia is an independent regional actor. As long as the alliance persists it is likely that Australia will always have to cope with criticisms and perceptions of this kind.

The straight dollar costs of a close relationship with the US continue to rise steeply, driven in the first instance by the inherently high cost of advanced US weaponry and platforms and, in the second instance, by the recent decline of the Australian currency relative to the US dollar. These escalating costs place additional pressure on the defence budget, and could starve sections of the ADF of resources in order to maintain other sections at a technology level the US considers acceptable for interoperability with allies.

The recent decision on the *Collins* submarine is a clear case of the alliance inappropriately overshadowing operational priorities. It seems clear that the Navy's submarine professionals wished to acquire the German combat system offering but have been overruled in favour of an unproven solution to be developed by a state, the US, which has had no experience of conventionally powered submarine operations for at least forty years. This appears to be a case of not seeing the trees (the pressing need to get the *Collins* class 'fixed' and in effective service before too much more of its service life is wasted) for the forest (the broad strategic vistas offered by the Government in announcing this decision). This is the most recent, and arguably the most serious, negative effect of the US relationship on ADF operational assets.

Finally, it is appropriate to note that the undisputed *access* to high level forums in the US conferred by the alliance association by no means translates into effective *influence*. To be heard is one thing; to be heeded, another entirely.

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Appendix 1

Security Treaty between Australia, New Zealand and the United States of America [ANZUS]

(San Francisco, 1 September 1951)

Entry into force generally: 29 April 1952

AUSTRALIAN TREATY SERIES

1952 No. 2

Australian Government Publishing Service

Canberra

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SECURITY TREATY BETWEEN AUSTRALIA, NEW ZEALAND, AND THE UNITED STATES OF AMERICA THE PARTIES TO THIS TREATY,

REAFFIRMING their faith in the purposes and principles of the Charter of the United Nations and their desire to live in peace with all peoples and all Governments, and desiring to strengthen the fabric of peace in the Pacific Area,

NOTING that the United States already has arrangements pursuant to which its armed forces are stationed in the Philippines, and has armed forces and administrative responsibilities in the Ryukyus, and upon the coming into force of the Japanese Peace Treaty may also station armed forces in and about Japan to assist in the preservation of peace and security in the Japan Area,

RECOGNIZING that Australia and New Zealand as members of the British Commonwealth of Nations have military obligations outside as well as within the Pacific Area,

DESIRING to declare publicly and formally their sense of unity, so that no potential aggressor could be under the illusion that any of them stand alone in the Pacific Area, and

DESIRING further to coordinate their efforts for collective defense for the preservation of peace and security pending the development of a more comprehensive system of regional security in the Pacific Area,

THEREFORE DECLARE AND AGREE as follows:

Article I

The Parties undertake, as set forth in the Charter of the United Nations, to settle any international disputes in which they may be involved by peaceful means in such a manner that international peace and security and justice are not endangered and to refrain in their international relations from the threat or use of force in any manner inconsistent with the purposes of the United Nations.

Article II

In order more effectively to achieve the objective of this Treaty the Parties separately and jointly by means of continuous and effective self-help and mutual aid will maintain and develop their individual and collective capacity to resist armed attack.

Article III

The Parties will consult together whenever in the opinion of any of them the territorial integrity, political independence or security of any of the Parties is threatened in the Pacific.

Article IV

Each Party recognizes that an armed attack in the Pacific Area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes.

Any such armed attack and all measures taken as a result thereof shall be immediately reported to the Security Council of the United Nations. Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security.

Article V

For the purpose of Article IV, an armed attack on any of the Parties is deemed to include an armed attack on the metropolitan territory of any of the Parties, or on the island territories under its jurisdiction in the Pacific or on its armed forces, public vessels or aircraft in the Pacific.

Article VI

This Treaty does not affect and shall not be interpreted as affecting in any way the rights and obligations of the Parties under the Charter of the United Nations or the responsibility of the United Nations for the maintenance of international peace and security.

Article VII

The Parties hereby establish a Council, consisting of their Foreign Ministers or their Deputies, to consider matters concerning the implementation of this Treaty. The Council should be so organized as to be able to meet at any time.

Article VIII

Pending the development of a more comprehensive system of regional security in the Pacific Area and the development by the United Nations of more effective means to maintain international peace and security, the Council, established by Article VII, is authorized to maintain a consultative relationship with States, Regional Organizations, Associations of States or other authorities in the Pacific Area in a position to further the purposes of this Treaty and to contribute to the security of that Area.

Article IX

This Treaty shall be ratified by the Parties in accordance with their respective constitutional processes. The instruments of ratification shall be deposited as soon as possible with the Government of Australia, which will notify each of the other signatories of such deposit. The Treaty shall enter into force as soon as the ratifications of the signatories have been deposited.

Article X

This Treaty shall remain in force indefinitely. Any Party may cease to be a member of the Council established by Article VII one year after notice has been given to the Government of Australia, which will inform the Governments of the other Parties of the deposit of such notice.

Article XI

This Treaty in the English language shall be deposited in the archives of the Government of Australia. Duly certified copies thereof will be transmitted by that Government to the Governments of each of the other signatories.

IN WITNESS WHEREOF the undersigned Plenipotentiaries have signed this Treaty.

DONE at the city of San Francisco this first day of September, 1951.

FOR AUSTRALIA:

[Signed:] PERCY C SPENDER

FOR NEW ZEALAND:

[Signed:] C A BERENDSEN

FOR THE UNITED STATES OF AMERICA:

[Signed:] DEAN ACHESON

JOHN FOSTER DULLES

ALEXANDER WILEY

JOHN J SPARKMAN

Appendix 2

AUSTRALIA-UNITED STATES MINISTERIAL CONSULTATIONS

JOINT COMMUNIQUE 2001

INTRODUCTION

1. The Australian Minister for Foreign Affairs, Alexander Downer, and the Minister for Defence, Peter Reith, the United States Secretary of State, Colin Powell, and Secretary of Defense, Donald Rumsfeld, met in Canberra on 30 July 2001 to advance further the Australia-United States alliance relationship, and to discuss regional and global issues.

FIFTIETH ANNIVERSARY OF THE ANZUS TREATY

2. Australia and the United States warmly welcomed the fiftieth anniversary of the signing of the ANZUS Treaty. They agreed that the Treaty had made a highly significant and historic contribution to the fabric of peace in the Asia-Pacific region. The Treaty had provided a fundamental framework for the development of a remarkably close and productive relationship at all levels between the two countries and peoples, reflecting deeply shared values and interests.

3. Australia and the United States underlined the enduring relevance and vitality of the alliance as the cornerstone for the full range of cooperative activities undertaken by Australia and the United States in the Asia-Pacific region and beyond. Both governments agreed that the shared values and interests embodied in the ANZUS Treaty and the 1996 Sydney Statement should continue to underpin the Australia-United States partnership.

REGIONAL CHALLENGES AND OPPORTUNITIES

4. Australia welcomed the strong emphasis placed by the United States on the contribution of bilateral alliance relationships to the maintenance of regional security and stability. The United States congratulated Australia on the quality and range of its extensive engagement in the Asia Pacific. The two governments agreed that stable relationships among the major powers of the region, the spread of political and economic freedom, and the growth of democratic institutions, remained fundamental to advancing their national interests and values in the Asia Pacific.

5. Australia and the United States underscored the importance of Indonesia to the stability, security and prosperity of South East Asia, and reaffirmed their commitment to work with Indonesia for productive, mutually beneficial relationships. Australia and the United States reaffirmed their support for Indonesia's territorial integrity and for a peaceful solution to regional grievances, including the current special autonomy negotiations for Aceh and Irian Jaya. The two governments expressed their common resolve to continue to help Indonesia overcome its economic difficulties, including through assistance to strengthen governance and enhance social welfare.

6. Australia and the United States emphasised the importance of continued international support and assistance, including through the United Nations, to ensure a successful transition in East Timor. The two governments reaffirmed their strong commitment to sustain close Australia-United States cooperation in East Timor, particularly through the post-independence phase.

7. Australia congratulated the United States and Japan on the fiftieth anniversary of the United States-Japan security alliance, and welcomed the 30 June 2001 Joint Statement by President Bush and Prime Minister Koizumi as a further strengthening of the vitally important U.S.-Japan partnership. Both governments welcomed the Japanese Government's recently announced plan for economic, fiscal and structural reform, and agreed that continued implementation of policies to advance economic growth in Japan would have significant benefits, both economic and strategic, for the Asia Pacific.

8. Australia and the United States emphasised the importance of encouraging China's constructive role as a full member of the international community, and welcomed the prospect of China's early accession to the World Trade Organisation (WTO) under appropriate terms. Australia and the United States agreed to encourage both China and Taiwan to resolve their differences through a resumption of peaceful dialogue, and stated their firm belief that disputes should be settled without resort to any military force.

9. Australia and the United States underlined the importance of continuing international efforts to bring lasting peace and security to the Korean peninsula. The United States welcomed the restoration of diplomatic relations between Australia and the DPRK, and Australia welcomed the decision of the United States to re-commence dialogue with the DPRK, as important steps in encouraging greater DPRK engagement with the international community. Both governments called on the DPRK to continue high-level engagement with the Republic of Korea, and to take further steps to allay security concerns on the peninsula and in the region, particularly in regard to weapons of mass destruction and their means of delivery. Australia and the United States underscored the importance of full and timely implementation of the U.S.-DPRK Agreed Framework.

10. The two sides agreed on the importance of the ASEAN Regional Forum (ARF) in promoting and enhancing security dialogue in the Asia Pacific. Both governments welcomed the consolidation of the ARF's confidence-building work and expressed the hope that the Forum would continue to develop a preventive diplomacy capability.

11. The two governments affirmed their strong support for the commitment to democracy and good governance made by countries of the Pacific Islands Forum in October 2000 in the Biketawa Declaration. The United States welcomed Australia's efforts in promoting peace and disarmament in Bougainville and the Solomon Islands. Both governments expressed hope that the Fijian elections in August would lead to the restoration of constitutional democracy.

DEFENCE RELATIONS

12. The United States welcomed the re-commitment to a robust strategic and defence posture and the funding commitment to the capabilities outlined in Australia's Defence White Paper. Australia welcomed the progress report by Secretary Rumsfeld on the United States' strategic and military reviews. Both sides noted that the changing strategic environment and the ongoing transformation of military technologies have implications for the alliance partnership, and reaffirmed the role of the alliance in this environment.

13. The two governments agreed that the enduring value of the defence relationship is based on a solid foundation of practical cooperation, and noted the coalition peace operation in East Timor as

an example of where this cooperation continues to be particularly useful. Both sides noted the key role of U.S. regional engagement in maintaining security and stability in the Asia Pacific, and the contribution of the alliance to regional security.

14. Australia and the United States acknowledged the ongoing importance of intelligence cooperation and its contribution to the national interests of both countries. The two sides also agreed that interoperability remained a high priority, particularly in coalition peace and security operations. To this end, the principals commissioned a top-down review of interoperability, to be presented to the 2002 AUSMIN meeting.

15. Australia and the United States noted the ongoing importance of materiel cooperation, not only to interoperability, but also to capability development, technology transfer and through-life support of defence capabilities. Australia acknowledged the criticality of access to U.S. technology. The United States noted Australia's initiatives to incorporate a 'whole-of-life' approach to capability development. Both countries undertook to examine how materiel cooperation could be developed further.

16. The continuing development of cooperative arrangements to enhance the submarine capability of both countries, including the development of the Collins Class submarines, was welcomed by the two governments. The progress of a Navy-to-Navy Statement of Principles in matters relating to submarines, to be formalised next month, was noted and endorsed.

17. Australia and the United States reaffirmed the value of the AUSMIN Defence Acquisition Committee (ADAC) as the senior bilateral forum for cooperation on activities related to the acquisition, logistics and follow-on support of defence equipment. An initiative agreed at the 1999 ADAC meeting was completed today when Australia passed the 'Note in Reply' to the United States to finalise the Exchange of Notes on the ten-year extension of the Australia-United States Cooperative Defence Logistics Support Agreement.

18. In the spirit of further enhancing defence cooperation, both sides emphasised their respective commitments to a binding bilateral export control agreement that would furnish Australia with an exemption from most U.S. munitions licensing requirements of the International Traffic in Arms Regulations.

THE NEW GLOBAL SECURITY ENVIRONMENT

19. Australia and the United States expressed shared concern about the threat to global strategic stability posed by the proliferation of ballistic missiles and weapons of mass destruction and the need to deter these threats with a strategy that encompasses both offensive and defensive systems, continued nuclear arms reductions, and strengthened WMD and missile proliferation controls and counter-proliferation measures. They reaffirmed their commitment to cooperate closely in international missile non-proliferation efforts. Australia expressed its understanding of U.S. interest in developing missile defence and Australia and the United States agreed on the importance of continued and close U.S. consultations with allies and other interested parties, particularly Russia and China, as its plans developed. The United States expressed, and Australia welcomed, its intention to reach an understanding with Russia on a broader strategic framework, including moving beyond the Anti-Ballistic Missile Treaty, and wider cooperation between Russia and the United States to address problems of proliferation and to enhance strategic stability.

20. Australia and the United States agreed that the Nuclear Non-Proliferation Treaty (NPT) continues to deliver significant security benefits to all nations. Both governments reaffirmed their determination to contribute to the implementation of the conclusions of the 2000 NPT Review Conference.

21. Australia reaffirmed its view that early entry into force of the Comprehensive Nuclear-Test-Ban Treaty (CTBT) would strengthen the global nuclear non-proliferation regime. Australia also welcomed the second CTBT Article XIV Conference to be held in New York in September to facilitate early entry into force of the Treaty. The United States advised Australia that it would maintain its moratorium on nuclear testing. Australia called on states that have not done so to sign the CTBT, and on signatories to ratify the Treaty promptly. The United States and Australia called on all states to refrain from conducting nuclear explosive tests. The United States and Australia agreed that, so long as the CTBT has not entered into force, existing moratoriums on nuclear testing should be maintained.

22. The two governments expressed disappointment that the continuing deadlock in the Conference on Disarmament (CD) is preventing a start on negotiation of a Fissile Material Cut-off Treaty (FMCT) to end the production of fissile material for nuclear weapons. They urged all CD members to start FMCT negotiations without further delay.

23. Australia and the United States welcomed efforts to strengthen the effectiveness and improve the efficiency of International Atomic Energy Agency (IAEA) safeguards and urged states yet to conclude an IAEA Additional Protocol to do so as quickly as possible.

24. Both governments underlined the threat to global security posed by the development and spread of biological and chemical weapons. While noting their differences concerning the negotiations for a protocol to strengthen the Biological Weapons Convention (BWC), both sides reiterated their commitment to the BWC and undertook to explore all effective options for preventing the proliferation of these heinous weapons. In reviewing progress in the field of chemical disarmament, the two governments expressed concern over the impact of problems within the Organisation for the Prohibition of Chemical Weapons (OPCW) on its capacity to undertake its core non-proliferation activities. They agreed to continue to work together closely to improve the efficiency and effectiveness of the OPCW.

25. Australia and the United States welcomed the Indian and Pakistani moratoriums on further nuclear testing, and encouraged India and Pakistan to take steps to become part of the international nuclear non-proliferation regime.

TRADE

26. Australia and the United States underlined the positive contribution that open trade and investment make to employment and growth in the global economy. They called for the launch of a new round of multilateral trade negotiations and agreed to continue to cooperate closely toward this end at the WTO Ministerial Conference in Doha, Qatar, in November 2001. The two sides agreed on the utility of settling bilateral differences in accordance with WTO rules.

27. Both governments welcomed the impetus provided by the recent APEC Trade Ministers meeting for the launch of a new WTO round in 2001. Both sides reaffirmed their desire to ensure

that the Shanghai Leaders meeting developed a comprehensive and vigorous forward agenda for APEC.

28. Australia and the United States, as already open and dynamic economies, reaffirmed their commitment to expanding their economic relationship, including by reducing and eliminating barriers to trade, and to working closely together to address bilateral trade issues. They discussed Australia's proposal for a bilateral free trade agreement. They agreed to work together closely to explore avenues to advance their common free trade goals.

CONCLUSION

29. Both sides affirmed the enduring value of the annual Australia-United States Ministerial Consultations as the peak consultative body of the alliance partners. Australia accepted the U.S. offer to host the next round in the United States in 2002.