

PERSPECTIVES

**UNCHARTED WATERS: THE US ALLIANCE
AND AUSTRALIA'S NEW ERA OF STRATEGIC
UNCERTAINTY**

ANDREW SHEARER



SIR PERCY SPENDER

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Uncharted waters: The US alliance and Australia's new era of strategic uncertainty

Andrew Shearer

On 1 September 60 years ago the ANZUS Treaty was signed in San Francisco. This essay focuses on the current and future challenges facing the Australia-US alliance, particularly flowing from the rise of China, and analyses some of those challenges, including through the prism of Australian public attitudes.

It is fitting, however, that it should begin by paying tribute to the foresight, energy and doggedness of Sir Percy Spender, a great Australian statesman who does not receive nearly enough recognition. Put simply, without him the alliance as it is constituted today would never have happened.

Spender saw Australia's post-war interests with prescient clarity. He wanted a binding security arrangement with the United States that addressed public concern about the rearmament of Japan, gave Australia the confidence to make an active security contribution beyond its own region and gave it a voice in global strategy.¹ He was prepared to make tactical concessions on the details. But he never wavered in pursuit of his key aim, refusing to be placated by American offers of second-best options.² He prevailed despite initial indifference on the part of his own prime minister and the US administration, interference by the British government and obstructionism by the US Joint Chiefs of Staff – badgering and manoeuvring until he got his own way.

¹ For a useful account see Sandra Penrose, *Percy Spender and the origins of ANZUS: an Australian initiative*. Refereed paper presented to the Australian Political Studies Association Conference, University of Adelaide, 29 September – 1 October 2004.

² These included a non-binding presidential declaration that America would come to Australia's assistance, a military consultative mechanism and a 'liaison' arrangement between the United States' allies in the Pacific region and in the Northern Atlantic. See, for example, 'Cablegram from Spender to Watt', Ottawa, 1 November 1950, Document 24, in Roger Holdich, Vivianne Johnson and Pamela Andre (eds.), *Documents on Australian foreign policy: the ANZUS Treaty 1951*. Canberra, Department of Foreign Affairs and Trade, 2001, p 32.

Debate about international relations and history is often couched in terms of irresistible forces, inexorable trends and inevitable outcomes. Spender's role as the father of ANZUS is a useful reminder that the course of human affairs can be shaped, and shaped decisively, by individual choices, actions and leadership. Spender combined the hallmarks of Australian diplomacy at its best: creativity; pragmatism; toughness; persuasiveness; and persistence. Few acts of statesmanship have been more consequential – or more beneficial – for their nation than Spender's in establishing ANZUS.

Uncharted waters?

When Spender, Dean Acheson and John Foster Dulles signed ANZUS, the Treaty gave Australia much-needed strategic reassurance at a dangerous and uncertain time. Australians worried that Japan, although prostrated in 1945, could arise from the ashes and once again jeopardise peace in Asia and Australia's security. The Cold War was at its height, and North Korea, backed by China and the Soviet Union, had just invaded the South.

Today Australia and the alliance are confronting new dangers. The strategic waters we are now navigating are becoming murkier and potentially much less tranquil. It is imperative that Australia, the United States and their other strategic partners act with the urgency and foresight that Spender did over half a century ago to put in place a more robust network of Asia-Pacific security links. The window of opportunity to shape a favourable future security order in Asia is closing fast.

Australia has enjoyed several decades of relative regional stability, underpinned by American power. Since the Battle of Midway in 1942, the US Navy has enjoyed unchallenged control of the Western Pacific.

Resting on the foundation of forward-deployed US military forces, alliances and deterrence, this *Pax Americana* created the conditions for the Asian economic miracle, seeing off the external threat posed by the Soviet Union, tamping down regional rivalries, managing the reintegration of Japan and freeing the countries of East Asia to allocate their national resources to development rather than to costly spending on defence.

The results were spectacular: a region largely at peace; hundreds of millions of people lifted out of poverty and the creation of a massive Asian middle class; a surge in intra-regional trade

and investment; and successful democratic transitions across the region, including in Japan, South Korea, Taiwan and Indonesia.

For post-war Australia, the alliance played another crucial role. As Flinders University's Malcolm Cook points out, with the wounds of the Second World War still raw the alliance gave Australia's political leaders the strategic confidence to reach out to its former enemy and sign the far-sighted 1957 Commerce Agreement, paving the way for the economic partnership that in many ways created the modern Australian economy and spearheaded our engagement with Asia. Far from a liability in Asia, the alliance has been and remains a key basis for Australia's deepening strategic relations not only with Japan but with South Korea and potentially with India and Indonesia.

Now, however – for the first time in over half a century – America's strategic and economic primacy in Asia is being contested.

I am not a US declinist, and I am inclined to pay as much attention to China's many weaknesses as to its obvious strengths. Price bubbles, growing social unrest and the recent high-speed train crash are all symptoms of a brittle edifice under strain. In my view Australian commentators often seriously underestimate the resilience of American power and exaggerate China's weight.

But even so there is no question that the rise of China and India is changing the regional strategic equation.

China is rapidly acquiring missiles and submarines intended to impede US access to the waters around the Asian landmass, as well as worrying new systems such as anti-satellite weapons and more flexible, numerous and robust nuclear weapons. This is encouraging other regional countries to beef up their defences.³ We saw this in Australia's own 2009 Defence White Paper (although how much of Force 2030 will ever come into being is an open question, particularly in light of recent defence cuts).⁴ The widespread availability of high-precision weapons is eroding the capability edge and scope for manoeuvre operations that have been the basis of the Australian way of war for decades. And cyber attacks emanating

³ Malcolm Cook, Raoul Heinrichs, Rory Medcalf and Andrew Shearer, *Power and choice: Asian security futures*. Sydney, Lowy Institute for International Policy, June 2010, p 28.

⁴ *Defending Australia in the Asia Pacific century: Force 2030*. Canberra, Australian Department of Defence, 2009.

from China's territory pose an increasing threat to Australia's national security and that of our partners.

Moreover, for the first time in our history we face the situation where our largest trading partner is neither a developed nation, nor a democracy, nor part of the Western alliance. Increasingly our strategic commentators are seeing our alliance obligations clashing with, or at a minimum diverging from, our longer-term economic interests.

Vox populi: hedging their bets

These currents are evident in Australian public attitudes.

Public opinion shapes and constrains the policy choices available to government, including in foreign policy. Often Australian elites like to disparage public opinion and bemoan the ignorance of the broader community. But the Lowy Institute's annual polling and the fact that more than 7 million Australians travel every year suggest that Australians are more engaged with, and better informed about, the outside world than we may assume.

Indeed their views display a good deal of common sense when it comes to Australia's international interests, striking a shrewd balance between principle and pragmatism.

This year's Lowy Poll asked more detailed questions about public attitudes towards the US alliance and China than any of our previous polls. The results are very revealing.

The poll showed a continuing growth in the warmth of Australian attitudes towards the United States, up from 60 degrees in 2007 to 70 in 2011.⁵ Boosters of President Obama and the many denigrators of his predecessor naturally attribute this to the change in US administration in 2008. No doubt there was something of an 'Obama bounce', but the rest of the poll suggests something structural and therefore much more important for the longer term is going on.

The real key is the trend in respondents who believe Australia's alliance relationship with the United States is 'very important' for Australia's security. This has continued to rise steadily

⁵ Fergus Hanson, *Australia and the world: public opinion and foreign policy*. Sydney, Lowy Institute for International Policy, 2011, p 21.

from 36 per cent in 2007 to 59 per cent in 2011. More than 80 per cent of Australians say the alliance is either very or fairly important for Australia's security.⁶

As noted above, attitudes to the alliance reveal a fascinating mix of principle and pragmatism.

Nearly 80 per cent of Australians agree that the alliance is an extension of common values – a proposition that attracted the most support of seven different propositions about the alliance.⁷ This is particularly interesting in light of the traditional assumption in Australian international relations scholarship that Australians place more emphasis on realism than on idealism. Australians certainly talk about values in different terms than Americans, but this finding suggests it is time to reconsider some of our assumptions and that values are front and centre in the way Australians think about foreign policy.

Spender incidentally understood this. In addition to its defensive benefits, Spender saw the alliance having a positive agenda – in particular, the promotion of democratic political institutions and a liberal international economy.⁸

At the same time the poll also highlights a strong streak of hard-headed Australian pragmatism. Three quarters of Australians agree that without the alliance Australia would have to spend much more on defence.⁹

So what is driving this structural shift in Australian public attitudes to the alliance?

The Lowy Institute's polling provides strong evidence that the main factor is Australia's increasingly uncertain regional strategic environment, and in particular the rise and more assertive external behaviour of China.

A clear correlation is apparent between the rise in support for the US alliance over the past five years and an uptick in public concern about China's long-term strategic intentions.

Since 2008 the proportion of respondents who believe that China's aim is to dominate Asia has risen from 60 to 65 per cent. Even starker is the finding that 44 per cent of Australians

⁶ Ibid. p 23.

⁷ Ibid. p 24.

⁸ Holdich, Johnson and Andre (eds.), *Documents on Australian foreign policy: the ANZUS Treaty 1951*, p xxxi.

⁹ Hanson, *Australia and the world: public opinion and foreign policy*, p 24.

believe that China – our leading trading partner – is likely or very likely to pose a military threat to Australia in the next two decades.¹⁰

This is consistent with polling around the Asia-Pacific region recording increased concern about China’s growing military power and diplomatic assertiveness.

The Australian public’s strong support for the US alliance is far from unquestioning, however. Indeed it seems to be informed by a very realistic appreciation of the costs and risks.

It is noteworthy that support for the alliance has risen over the past five years despite its prominence as a reason for Australia’s participation in the controversial war in Iraq and in the increasingly unpopular conflict in Afghanistan. Notwithstanding those conflicts, over half of all Australians would support making a military contribution to a US-led operation in defence of South Korea against an attack from the North.¹¹

Nearly three quarters of Australians recognise that the alliance makes it more likely Australia will be drawn into a war in Asia that is not necessarily in Australia’s interests. Among those who considered China was likely or very likely to pose a military threat to Australia, some 87 per cent said this was because China and the United States are likely to come into conflict in the future and Australia will end up being drawn in through the alliance.¹²

Throughout the Cold War a majority of Australians supported the alliance in the knowledge that it made Australia a nuclear target. Today 55 per cent would support basing US military forces in Australia (43 per cent are opposed) – with the attendant danger that these facilities would be targeted in any conflict involving America.¹³

So is it possible to draw any conclusions from this analysis, including for policy?

I believe it is. What emerges is a picture of an Australian public with a sensible grasp of strategic reality and basically sound instincts about how we should respond – a view considerably at odds with many recent academic prognostications.

¹⁰ Ibid. p 25.

¹¹ Ibid. p 27.

¹² Ibid. p 11.

¹³ Ibid. p 24.

Australians are aware of the benefits of China's economic growth, but they are also aware that China's authoritarian political system and state-managed economy have significant implications not only for Beijing's treatment of its own people but also for its international behavior, its long-term economic prospects and its ability to fulfil its national aspirations.

Australians are concerned about China's poor adherence to human rights, are suspicious of foreign direct investment by Chinese state-owned entities and are concerned about what China's recent military and diplomatic assertiveness may portend for its longer-term strategic behaviour.¹⁴

Hence their response to Australia's growing economic dependence on a country viewed with considerable ambivalence, if not mistrust, is to hew more closely to the security offered by the US alliance – a classic hedging strategy. According to the poll, nearly 60 per cent of Australians believe the alliance makes Australia safer from attack or pressure from China.

If we pull this off, in the second half of the 21st century the alliance can once again give us the strategic confidence and strength to intensify our economic ties with a rising Asian power with whom, for various reasons, we have a mutual deficit of trust. In other words, the alliance could play a similar enabling role in the development of a successful Australian relationship with China in the first half of the 21st century to the pivotal one it played with respect to our highly successful engagement with Japan during the second half of the 20th century.

Nor is Australia alone in facing this challenge. This is a strategy that finds an echo all around East Asia, where other countries are also looking to balance economic dependence on China with options that give them political and security independence from Beijing. It is no accident that Japan, South Korea, India, Indonesia and even Vietnam – also countries with China as their largest or second-largest trading partner – are all looking to strengthen their security ties with America.¹⁵

To my mind, this is an indication that Hugh White is on the wrong track:¹⁶ why would Australia look to distance itself from Washington and take a more equidistant position between the United States and China when our most important regional partners are doing precisely the opposite?

¹⁴ Andrew Shearer, *Sweet and sour: Australian public attitudes towards China*. Sydney, Lowy Institute for International Policy, August 2010, p 11.

¹⁵ Cook, Heinrichs, Medcalf and Shearer, *Power and choice: Asian security futures*, p 27.

¹⁶ Hugh White, Power shift: Australia's future between Washington and Beijing. *Quarterly Essay* 39 2010, p 8.

Testing times

Of course this does not mean that implementing such a strategy will be simple. In Australia's traditional grand strategy, our economic and strategic interests were generally in close alignment and hence were mutually supporting – an intellectually tidy arrangement that served the nation's interests very well for more than a hundred years. But as Sino-American competition grows – as it almost certainly will – Australian diplomacy is going to be tested.

Some commentators posit that Australia faces a defining 'choice' between our alliance with the United States and our economic future with China and agonise about finding the right distance between the two.¹⁷

I disagree. We have already chosen. We chose in 1951, and we chose the United States. As Dennis Richardson, Secretary of the Department of Foreign Affairs and Trade, often says, we are friends with both the United States and China but an ally of only one. The polling discussed above makes similarly clear that the Australian public has also effectively chosen in favour of the alliance, despite the risks and costs. The challenge for Australian diplomacy in the next decade is to explain that if anything Australia is moving *closer* to the United States but is not looking to portray China as an enemy.

This will require skill and subtlety, particularly as strategic competition between China and the United States intensifies. But it is achievable.

No-one wants to see a major conflict between China and the United States. China and other Asian powers realise that a major war in Asia would be costly and disruptive, with the potential to undo many of the Asia-Pacific region's gains in prosperity and stability over the past 60 years. Australian commentators often seem to assume that America will embark recklessly on war with China. But neither US political leaders nor the public are seeking conflict. The last several US administrations have generally conducted sensible, sophisticated China policies, and American public opinion is not noticeably more hostile towards China than Australia's (although the US-China bilateral economic equation is more fraught).¹⁸

¹⁷ See for example Sushil Seth, Australia has a China conundrum. *Taipei Times* 23 July 2011, p 8; David Humphries, Caught between the giants. *Sydney Morning Herald* 9 July 2011; Hugh White. *US-China: Not by bread alone*. The Interpreter, 27 July 2011: <http://www.lowyinterpreter.org/post/2011/07/27/US-China-Not-by-bread-alone.aspx>.

¹⁸ Pew Global Research Center, *China seen overtaking US as global superpower: 23-Nation Pew Global Attitudes Survey*, 13 July 2011, Ch. 4.

That does not mean we can be complacent, and Australia and other countries should work as hard as possible to avoid China-US competition escalating out of control. But the idea that we could somehow stand aside from such a conflict – another notion that crops up in the Australian debate – is fanciful. Australia would be profoundly affected irrespective of whether or not we were directly involved.

As prime minister, John Howard succeeded in strengthening both Australia's alliance with the United States and the relationship with China, famously inviting the US and Chinese presidents to address the Australian parliament on successive days. Yet Howard consistently made clear that our partnership with the United States would always be more important because of our shared values, strategic interests and history. In his recent best-selling memoir, Howard wrote that while Australia should make every effort to avoid conflict between China and America, 'I always knew that, come a showdown between China and the United States, Australia would align itself with the United States'.¹⁹

Rather than debating whether and how Australia can stay out of a Sino-American war, the real question is how to deter such a conflict from happening – and Australia's part in that as a member of the alliance.

Since 2007 Labor has – ironically given Kevin Rudd's apparent credentials – had less success than Howard in managing relations with China, Japan and India. Nonetheless both Rudd and Gillard have made it clear both by their words and actions that the US alliance remains paramount in Australia's strategic thinking.

The Rudd government's 2009 Defence White Paper displeased Chinese officials by drawing attention to the destabilising consequences of China's military modernisation. Gillard caused similar irritation in Beijing during her visit to Japan earlier this year when she committed to stronger defence ties and indicated she would discuss the security implications of China's rise with America's most important Asian ally.²⁰

An increasingly assertive China is always quick to play the 'containment' card as a device to divide the United States and its allies. But Australia and its other partners in Asia should not fall for this. At issue is nothing less than our ability to maintain full independence of decision-

¹⁹ John Howard, *Lazarus rising*. Sydney, HarperCollins, 2010, p 507.

²⁰ John Garnaut, Gillard's defensive talk adds to China tension. *Sydney Morning Herald* 22 April 2011, p 1.

making, i.e. our sovereignty. It is imperative that Australia retains the freedom and capacity to make its own national security choices.

Already we are exhibiting worrying signs of self-censorship. Prime Minister Gillard caved into diplomatic pressure not to meet the Dalai Lama. Commentators, academics and business people often tend to take China's side in any bilateral dispute. Hugh White urges that we should persuade the United States to go easy on China and cause no trouble, and that we limit our own military capabilities for fear of provoking China.

But why should we, unless China has a desire to threaten us or our friends, or to change the status quo in ways which disadvantage us? What exactly is it that 'accommodating' China will prevent it from doing that it can't do now? Australia has nothing to gain – strategically, diplomatically or morally – from compromising its interests or its values to buy Beijing's approbation.

It is entirely legitimate for like-minded countries to work together to maintain the existing stable and open regional order, including unfettered access to Asia and its markets. As a substantial beneficiary of that order, Australia has a responsibility to support it.

And, with the United States under increasing financial duress, it is appropriate that Australia and other nations that have benefited so much from that order step up their own contributions of public goods to the region. We saw this when Australia, Japan and India joined the United States in deploying military forces rapidly to conduct relief operations after the 2004 Boxing Day tsunami and again when US and Australian forces assisted the local military in Japan after the recent earthquake and tsunami disaster.²¹ Sea lane security against piracy and other threats is another good example.

Nor can China realistically object to like-minded nations with a major stake in the liberal international order discussing and coordinating their approaches to dealing with the manifold implications of China's rise – whether for global trade and finance, the environment or international security. As China's power grows, the most effective way for Western nations to influence its behaviour will be to work together. China's behaviour for decades to come could be shaped by how we deal with it – and what we let it get away with – in the next few years.

²¹ Marc Grossman, The Tsunami Core Group: a step toward a transformed diplomacy in Asia and beyond. *Security Challenges* 1 (1) 2005, pp 11-14.

This may be balancing, but it is *not* containment – a specific term for the Western alliance’s Cold War strategy to isolate an ideologically expansionist Soviet Union, politically and economically, and eventually to roll back its influence. Far from it: US and Australian policy remains to engage China more fully in global and regional economic and political institutions such as the G-20. We understand that China is different from the Soviet Union since Beijing is not promoting its own route to development or its social and political structures as a model for others, as did Moscow (so far, anyway).

As its power and needs grow, however, China is in the process of determining its own framework to guide relations with, and expectations of, regional countries including Australia. The more we raise Beijing’s expectations of accommodation now, the more concessions China will look to extract from us in future.

The key in our dealings with China is to lay down a clear framework for the relationship and to stick to it. Despite a worrying propensity sometimes to let their hearts overrule their heads when they don’t think other countries are showing China due respect, China’s leaders are generally hard-headed and transactional. We err when we are not and become sentimental, deferential or unrealistic about China.

Consistency and firmness are essential. We can’t afford to send mixed messages, sucking up to Washington and Beijing whenever our ministers are in each capital and telling each what they want to hear. Predictability is what China is looking for. Then it can adjust its expectations appropriately and we can avoid unnecessary hiccups.

Kevin Rudd was a mixed message, for example. For domestic political reasons he promoted himself as a China expert and able to move the relationship to a new level, raising hopes in Beijing that he might tilt towards China. To his credit, however, he actually showed a mostly hard-headed view of China which Beijing did not expect. But an Australian political leader cannot say one thing at home and then another abroad.

We should emphasise that we want a constructive relationship with China where our interests intersect – with the synergies between our two economies the most obvious example. But we also need to be mindful of the real strengths and advantages we bring to the relationship – and very clear with Beijing that we are not going to compromise on our core strategic interests or our values.

The US alliance remains front and centre in each of these respects.

New opportunities and new expectations

Few Australians or Americans outside government circles appreciate the extent to which the Australia-US security relationship has developed, particularly in the decade since 9/11.

Aside from some difficult moments in the 1970s, the relationship has always been strong irrespective of which party is in power in Canberra or Washington – built on shared strategic interests in the Asia-Pacific region, a common view that global security is ultimately indivisible, and recognition that a country's security is much broader than its territorial defence. Over decades these attributes have manifested in longstanding intelligence links, regular high-level combined military exercises and deployments, and close defence industrial collaboration.

But in the last decade or so military, intelligence and diplomatic coordination between the two countries has been elevated to a new level.²² Australians like to deprecate our international weight. Yet American officials – whether Democrat or Republican – routinely bracket Australia with the UK as the United States' closest ally. Some even put it ahead in terms of the consistent warmth and intimacy of the relationship.

There is plenty of empirical evidence for this. Australian and American intelligence and security officials have worked hand in glove in the global war on terror. Australian special forces have been fully integrated with US operations in Afghanistan and Iraq. Australian fighter aircraft flew combat missions with US and other allied aircraft in Iraq. The ADF is now embedded not only in the conduct but in the planning of coalition operations, and Australian military officers have occupied some of the most senior and trusted positions in recent coalition operations, including chief of operations to the US commander in Iraq and commander of the coalition fleet operating in the northern Persian Gulf. Australia has been a leading participant in the Proliferation Security Initiative and a range of combined exercises.

For over a decade the Australian government has placed a premium when making major defence acquisition decisions on strengthening the ability of the ADF to operate with the US military. This logic drove capability decisions including the M1 tanks, C-17 transport aircraft, air warfare destroyers with Aegis combat systems, the Joint Strike Fighter and the LINK-16

²² Greg Sheridan, *The partnership: the inside story of the US-Australian alliance under Howard and Bush*. Sydney, UNSW Press, 2006, p 13.

communications and targeting system. At last year's AUSMIN talks Australian and US ministers agreed to strengthen cooperation on cyber security and space.²³

As a result of strong political leadership and commitment on both sides, much of this enhanced defence and security cooperation was institutionalised during the last decade.

Australia is the only nation apart from Britain to enjoy wide-ranging access to US intelligence material, an exemption from US National Disclosure Policy, access to US classified information systems and a treaty with the United States guaranteeing its companies streamlined access to US defence industrial technology. The ADF now enjoys the sort of intimate, familiar relationship with the US Central Command that it once enjoyed only with Pacific Command in Honolulu and has developed strong links with other commands including Strategic Command, responsible for space and cyberspace, and Joint Forces Command.

What we are seeing is an increasing level of de facto integration of Australia's defence capabilities with those of the United States.

In East Timor Australia struggled to deploy and sustain even a relatively modest force close to home. Washington did not provide combat forces, but the success of the Australian-led intervention depended on very significant US intelligence, communications and logistical support, and on strong American diplomatic backing in Jakarta and New York. The lurking presence of a Marine Expeditionary Unit over the horizon provided much needed reassurance to anxious Australian political leaders as well as signaling to other countries that the United States was underwriting Australian success and so dramatically reduced the risk of serious interference.²⁴

Every time an ADF ship sails or aircraft flies it does so in a privileged bubble of information dominance provided largely by the United States. This edge is vital for a remote country with a small population and will only become more important as modern precision-guided weapons and other highly capable systems become more and more prevalent in our region. Ultimately, the alliance is important to Australia because it benefits Australia.

²³ *AUSMIN 2010 Joint Communiqué*. Melbourne, 8 November 2010, pp 1-3.

²⁴ Andrew Shearer, John Howard and the American alliance, in *The Howard era*, ed. Keith Windschuttle, David Martin Jones, and Ray Evans. Sydney, Quadrant Books, 2009, pp 320-321. See also Derek McDougall, Australia and Asia-Pacific security regionalism: from Hawke to Keating to Howard. *Contemporary Southeast Asia* 23 (1) 2001, p 96.

Over the next decade the alliance will become more, not less, important to Australia. It will also demand more of Australia, for a number of reasons.

I have already dealt at some length with the first reason, the rise of China. I've also mentioned the second, related reason: that the proliferation of modern weapons systems is going to make for a much more contested, less benign operating environment. This change is not in the distant future but is under way now and will start to have real implications for Australia's force structure this decade.

The third reason, also related to the rise of China, is that – like it or not – great power competition is on the rise in Asia, and the epicentre of this regional competition is gravitating southward towards Australia, as distinguished US naval scholar Toshi Yoshihara has highlighted.²⁵ Australia's central position between the Indian Ocean and Western Pacific theatres will only become more important as waters closer to China become less safe, as Chinese and Indian naval forces grow and project further west and east respectively, as energy insecurity continues to rise, and as transnational challenges such as terrorism, piracy and proliferation of weapons of mass destruction endure.

The fourth reason is that US expectations of Australia are likely to rise because other traditional allies will be doing less and because of the US budget situation.

Spender recognised that at the core of an effective alliance is the responsibility of all parties to maintain the capacity to make real military commitments.²⁶ During his final weeks in office the widely respected former US Secretary of Defense Robert Gates delivered a withering critique of declining European defence spending and capabilities.²⁷ The UK government, having inherited a spiraling budget deficit, has cut defence spending by 8 per cent, with the impact falling disproportionately on expeditionary capabilities. The UK army will lose one of its six deployable brigades. The Obama administration is seeking to cut the US defence budget by \$US 400 billion; under the eleventh-hour budget deal this could theoretically become \$US 900 billion if a bipartisan committee cannot forge a consensus on how to slash the budget deficit.

²⁵ Toshi Yoshihara, *Resident power: the case for an enhanced US military presence in Australia*. Strategic Snapshots. Sydney, Lowy Institute for International Policy, July 2011, p 2.

²⁶ See, for example, 'Cablegram from Department of External Affairs to all posts', Canberra, 2 January 19[50], Document 6 in Holdich, Johnson and Andre (eds.), *Documents on Australian foreign policy: the ANZUS Treaty 1951*, p 10.

²⁷ *Transcript of Defense Secretary Gates's speech on NATO's future*. Wall Street Journal 10 June 2011: <http://blogs.wsj.com/washwire/2011/06/10/transcript-of-defense-secretary-gatess-speech-on-natos-future/>.

For Australia one uncomfortable consequence of these developments is that US military planners will have no choice but to look to others to pick up the slack the next time they are looking to put together a coalition operation. And Australia is likely to find itself in a smaller club of willing and able participants.

The Australian Defence Force's ability to operate seamlessly with US systems is key, because interoperability gives Australia additional capability. Yet the reality is that maintaining forces capable of operating with the world's most sophisticated military is a complex and expensive business.

Australia's defence organisation is already under significant strain.

Major defence projects such as the Wedgetail airborne early warning aircraft, the Joint Strike Fighter and the air warfare destroyers are all facing significant delays and cost overruns. Given recent difficulties keeping more than one Collins class submarine at sea and the outcomes of the Rizzo Review into the parlous state of Australia's amphibious forces, real doubts exist about whether Australia has the technical expertise to build and maintain the fleet of much larger and more sophisticated boats announced in the 2009 Defence White Paper – and whether they will be ready in time to deal with the challenges I have outlined, some of which will sharpen within the next few years. Defence faces major problems recruiting and retaining technical specialists, particularly in competition with the buoyant mining industry. Our special forces are stressed by repeated deployments, and governments from both parties have been reluctant to deploy larger infantry formations in US-led coalition operations.

Yet a more contested and threatening regional operating environment will add further demands on the ADF. The proliferation of missiles, submarines and cyber warfare capabilities in Asia means we will have to spend more on advanced missile defence, anti-submarine warfare and intelligence, surveillance and reconnaissance systems such as Global Hawk unmanned aerial vehicles. We will have to go much further in integrating these systems so they work seamlessly together in real time.

Moreover, we will have to go one step further and develop the ability to operate these systems in combination not only with American but with Japanese, South Korean and possibly Indian forces in future.

As Asia's strategic landscape changes, the United States is looking to diversify its regional military footprint, with less emphasis on large bases in Northeast Asia and more on other

forms of access further south and west. This is bringing Australia into the frame as a possible location for supporting US forces. Existing defence facilities in Northern and Western Australia could host extended deployments and exercises by US naval vessels, aircraft and Marines, as well as prepositioned heavy equipment. This would make an important contribution to maintaining regional stability during an uncertain period. The Lowy Poll indicates that a majority of Australians would support it,²⁸ and any sensitivities among Australia's neighbours would be manageable. Accordingly it's a proposal that is very much in Australia's interest.

Conclusion

This is a very different Australia-US alliance from the one conceived by Percy Spender and John Foster Dulles, albeit one built on the same foundations.

The United States is moving rapidly beyond its traditional preference for a hub-and-spokes alliance system in Asia. Today Washington is actively encouraging the development of a network of like-minded partners who have both the political will and the capacity to contribute materially to maintaining a favourable balance of power in a rapidly changing region. Australia's comfortable days as a largely passive 'southern anchor' are behind us.

Shifting global power balances are combining with enduring geography, shared interests and common values to increase Australia's strategic importance and with it the importance of the Australia-US alliance. This will be uncomfortable for Australia at times, but it means the opportunity for increased influence, both in Washington and in our own region: far from being a liability in Asia, a strong alliance gives us leverage. But it also brings added responsibility.

Australia today is a more mature, capable and self-confident nation than it was in 1951. We are not a distant spectator: this is our region, and our future. Spender's example is a valuable reminder that it is up to *us* to shape the agenda and to set the pace so that the alliance remains relevant and dynamic, thereby helping to ensure that Australia and our neighbours continue to prosper in a peaceful region.

²⁸ Hanson, *Australia and the world: public opinion and foreign policy*, p 10.

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ABOUT THE AUTHOR

Andrew Shearer is Director of Studies and a Senior Research Fellow at the Lowy Institute. As a former intelligence analyst, strategic policy adviser and senior diplomat at the Australian embassy in Washington DC, he worked at the coal-face of the Australia-US alliance for almost twenty years. Before joining the Lowy Institute he was foreign policy adviser to former Prime Minister John Howard and strategic policy adviser to former Defence Minister Robert Hill. He occupied various positions in the Department of Foreign Affairs and Trade, the Department of the Prime Minister and Cabinet, the Office of National Assessments and the Department of Defence.

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