



AGAINST COMPLACENCY: RISKS AND OPPORTUNITIES FOR THE AUSTRALIA-US ALLIANCE

Richard Fontaine
October 2016

The United States Studies Centre at the University of Sydney deepens Australia's understanding of the United States through research, teaching and public engagement. Through rigorous analysis of American politics, foreign policy, economics, culture, and history, the Centre has become a national resource, building Australia's awareness of the dynamics shaping American society — and critically — their implications for Australia.

The Centre's Alliance 21 Program is a multi-year research initiative that examines the historically strong Australia-United States relationship and works to address the challenges and opportunities ahead as the alliance evolves in a changing Asia. The Australian Government and corporate partners Boral, Dow, News Corp Australia, and Northrop Grumman Australia support the program's second phase, which commenced in July 2015 and is focused on the following core research areas: defence and security; resource sustainability; alliance systems in Asia; and trade, investment, and business innovation.

The Alliance 21 Program receives funding support from the following partners. Research conclusions are derived independently and authors represent their own view not those of the United States Studies Centre.



Australian Government



NORTHROP GRUMMAN

News Corp
Australia



Alliance 21 Fellowship partner



Table of contents

Foreword	01
Executive summary	02
Introduction	04
An allied pivot to Asia	05
Against complacency: Four risks to the alliance	07
Carpe occasionem: Twelve alliance opportunities	14
The ostrich or the emu?	18
The American election and the Australian alliance	19
Endnotes	20
About the author	23

United States Studies Centre

Institute Building (H03)
The University of Sydney NSW 2006
Australia

Phone: +61 2 9351 7249
Email: us-studies@sydney.edu.au
Twitter: @ussc
Website: ussc.edu.au

Foreword

In November 2014 the White House announced the Alliance 21 Fellowship, a collaboration with the United States Studies Centre at the University of Sydney and the Perth USAsia Centre at the University of Western Australia, establishing a three-year exchange of senior scholars and policy analysts between America and Australia. The fellowship provides for selected Australians to immerse themselves in America, and Americans to immerse themselves in Australia, for up to 10 months — allowing the development of an informed and nuanced perspective on issues guiding the relationship between the two countries.

Richard Fontaine, the President of the Center for a New American Security and a highly respected US national security thinker, was an ideal choice to be the inaugural Alliance 21 Fellow. Between June and September 2016 he undertook a period in residence in Perth and Sydney, as well as travelling to other cities to understand the ANZUS alliance. Richard met with policymakers, business leaders, parliamentarians, non-government organisations, students, and everyday Australians to understand how relations between Australia and America are evolving. He gleaned further insights from an extensive public engagement program of speeches, seminars, and media interviews. This paper

is the result of those deliberations. It frames alliance choices and lays out both challenges and opportunities for stewards of the Australia-US alliance on both sides of the Pacific. Richard delivers an Australia agenda for the next US administration and current Australian government to progress, and calls for closer attention to make sure the alliance remains confident but not complacent.

That spirit infuses the wider work of the Alliance 21 Program at the US Studies Centre. Established in 2011 to map the future of the bilateral relationship through policy-relevant analysis, the program is a public-private research partnership between the Australian government and corporate partners Dow, Boral, News Corp, and Northrop Grumman. The US Studies Centre is grateful to our institutional partners, to the Center for a New American Security, and to Richard's family for making this fellowship possible.

James Brown
Research Director

Cover photo: Vice President Joe Biden visits HMAS Adelaide in Sydney, Australia, 2016 (*LSIS Peter Thompson, Australian Department of Defence*)

This report may be cited as:

Richard Fontaine, "Against complacency: Risks and opportunities for the Australia-US alliance,"
United States Studies Centre at the University of Sydney, October 2016.

Executive summary

Four risks to the alliance

Australia may today figure more prominently in the thinking of American policymakers than at any time since the Second World War. The Australia-US alliance is deeper, closer and healthier than ever before, and it is newly relevant to the region in which both countries discern their most vital future interests. But while the alliance generates benefits on a daily basis, enthusiastic policymakers on both sides have failed systematically to analyse and address a series of mid- to long-term risks to it.

Risk 1: A Chinese wedge

Australia's close and growing economic ties with China have fuelled domestic prosperity but created worrying asymmetric vulnerabilities. Complicating matters significantly is Beijing's habit of employing commercial tools to punish perceived transgressions among its economic partners. Numerous "China choices" are inevitable and, if handled poorly, they threaten to drive a wedge between the United States and Australia, and potentially undermine Australian security and its foreign policy.

Risk 2: Domestic politics

The second area of risk to the alliance stems from potential changes in Australian domestic politics. The US alliance remains very popular among Australians in the abstract, but support falls away when the public is queried about concrete policy choices, such as joining the United States in Japan's defence or pushing China from militarised sea features. The gap between public opinion and the national security elite — and between popular opinion and government policy — presents a risk to the alliance, since it is not inevitable that elite views will always trump popular ones when the two clash. Both governments could mitigate the risk of public opinion swinging away from the alliance by more clearly articulating to their own population the concrete benefits that close ties generate.

Risk 3: Costs

The alliance with Australia — unlike NATO and the alliances with Japan and South Korea — has not fallen prey to the charges of free riding and worse that have featured so prominently in the 2016 US presidential campaign. And yet when such concerns are shared by political leaders as diverse as Barack Obama and Donald Trump, there is a need for the two governments to tackle cost concerns head-on. Australian government officials stress that the government's ten-year defence plan is fully costed, for example, but do not claim that it is fully funded. A downturn in the economy, should it occur, would almost certainly wreak havoc on Australia's carefully thought-out defence plan — with implications for the alliance. The recent cost-sharing agreement related to the US Marine deployment in Darwin is a positive sign after months of stasis, but the two sides will need to endeavour to clear such future blockages as quickly as possible.

Risk 4: American decline, denial or dysfunction

The perception that the United States is in long-term relative decline and is ambivalent about continuing its traditional leadership role in Asia is today increasingly common across the region. Sequestration-era defence budgets have cut deeply into military modernisation, readiness, and end strength. To the worries about America's "strategic distraction" and focus on numerous Middle Eastern conflicts, Washington has added a new preoccupation with Europe in the wake of Russia's intervention in Ukraine. Diminishing support for the Trans-

Pacific Partnership trade agreement has heightened concerns about whether the United States seeks to exercise economic leadership in Asia, and the worry is particularly acute given that opposition to the TPP is increasingly bipartisan. And the 2016 presidential campaign discourse has been anything but an exercise in articulating how America wishes to lead the world into a better future. The percentage of Australians who see the alliance as very or fairly important to Australia's security has fallen nine points over the past year, and the next US president will need to take charge of the strategic narrative.

Twelve alliance opportunities

It is a sign of the alliance's depth and longevity that the most obvious opportunities for bilateral cooperation have long been seized. Nevertheless, together with Australia, a new US administration taking office in 2017 should seek additional ways to strengthen the alliance, and to ensure that it remains a key pillar of continuing American efforts to rebalance toward Asia, including:

1. Home port US Navy vessels in Australia
2. Expand amphibious exercises
3. Boost space cooperation
4. Build on cooperation in quantum computing
5. Establish an alliance coordination mechanism and a foreign investment dialogue
6. Midwife closer US-Indonesia ties
7. Stitch together efforts to build partnership capacity
8. Prepare a "Plan B" for the Trans-Pacific Partnership
9. Spur closer Australia-Japan cooperation
10. Re-energise the US-Australia-Japan-India quad
11. Build on the US-New Zealand breakthrough
12. Coordinate human rights promotion

As a new American administration takes charge, it will need to reiterate its commitment to the Asian rebalance without either raising unrealistic expectations in the region or fanning fears of abandonment among American allies in Europe and the Middle East. It will need to resist the urge to put itself in the centre of every regional initiative while ensuring that no leadership vacuum forms. And it will need to stress the non-military components of its Asia strategy.

For Canberra's part, it will need to make the case to the Australian people for the alliance in the most concrete terms possible, and be franker about its regional concerns, without fearmongering or increasing domestic anxieties. It will need to be publicly supportive of a new American administration while not holding back with frank assessments of US policy and the way forward. And it will increasingly need to hedge and balance in Asia while ensuring that this approach does not encourage the Chinese behaviour it seeks to deter.

The allies must aim not to be shaped by events so much as to shape them; not to react to a changing region as to lead it; not to rest merely on appeals to the freedom and prosperity guaranteed thus far but actively to secure them for generations to come. This is an Australia-US alliance worthy of the 21st century, and of the peoples of two proud nations that give it such active life.

Introduction

Ask any American foreign policy official to list the strongest US alliances, and the one with Australia will be without hesitation at or near the very top. That's for good reason: Washington is newly focused on Australia's neighbourhood, with an explicit "rebalance" of US foreign policy to Asia. It seeks like-minded partners to maintain a balance of power and bolster existing rules across the Indo-Pacific region. And it benefits from longstanding allies who combine the will and capacity to join American military efforts and deter threats from emerging.

In all of this, Australia is almost singularly attractive. Today, Canberra is boosting the country's military strength and regional activism, on top of a century of work alongside the United States in diverse corners of the globe. It is tightening its web of security ties, including with American allies and partners, and seeks to enhance the already-close defence and intelligence links with the United States. And it shares both US concerns about the long-term evolution of the Indo-Pacific region and a commitment to uphold the rules-based order that has benefitted both countries.

The result is that Australia may today figure more prominently in the thinking of American policymakers than at any time since the Second World War.¹ The Australia-US alliance is deeper, closer and healthier than ever before, and it is newly relevant to the region in which both countries discern their most vital future interests. With Britain's troubles in Europe, observers in both countries have begun to describe the alliance as the Anglosphere's new "special relationship".²

Such a convergence, however, should drive ambition rather than complacency. For all its successes, the alliance has not been tested — at least since the Vietnam War — in the region where it matters most.³ And it is Asia where tests of it are likeliest to arise, where there is the greatest divergence between Australia's national security establishment and public opinion, and where the United States and Australia will face a series of difficult choices with implications for their bilateral ties.

This paper explores some of those choices and identifies a series of mid- to long-term risks to the alliance. The aim in outlining such potential difficulties is to raise awareness among policymakers in Canberra and Washington who are rightly enthusiastic about recent accomplishments and new possibilities, but who often exhibit insufficient attention to the inevitable future dilemmas. Only by directing bilateral discussions at specific risks can the two countries take meaningful steps to mitigate them before they arise.

The paper then explores several areas of possible cooperation between the United States and Australia. These areas — ranging from space and defence collaboration to strengthening ties with Indonesia and New Zealand to advances on trade — would further the economic and security interests of both countries and draw them still closer together. The paper then concludes with some principles that a new US administration and any new Australian government would do well to keep in mind.

The spirit in which this paper is written, and which one hopes animates both governments, is one of confidence without complacency. Australia and the United States share democratic political values, key national interests and a conviction that the rules-based international order is worth defending. Both countries possess the will and the capacity to act beyond their shores for the common good and a history of taking on challenges together. And yet to grow comfortable is to invite danger. By addressing risks before they mature and continually pursuing new opportunities, Washington and Canberra can strengthen and prolong their unique bond — one that has done so much for so many.

With Britain's troubles in Europe, observers in both [Australia and the United States] have begun to describe the alliance as the Anglosphere's new "special relationship"

An allied pivot to Asia

Formalised in the 1951 ANZUS Treaty, the US-Australia alliance was established on a half-century foundation of military, economic and cultural ties. To this day, political leaders on both sides are prone to invoke the bravery of ANZACs and Americans fighting for the same side in the First World War, or the “greatest generation” battling tyranny in the Second World War. Britain, with whom the United States enjoys a “special relationship”, did not join the Vietnam War alongside America, but Australia did. It is often remarked — but still remarkable — that only Australia has fought alongside America in every major US conflict over the past century.

Today the two governments enjoy extraordinarily close defence and intelligence ties, backed by patterns of cooperation that stretch across numerous operating theatres. The US and Australian militaries are highly interoperable, with shared technology and experience training and exercising together. Both countries are members of the “Five Eyes” intelligence sharing relationship, and share an enormous range of information and assessments. US Marines have a rotational presence in Darwin, American military aircraft use Australian bases, and American and Australian naval vessels use their counterpart’s ports. In an exceptional demonstration of allied ties, a two-

star Australian army general, based in Hawaii, today has direct command of American troops.

Beyond the military and intelligence dimensions of the relationship, the alliance’s supporting elements are also strong. The United States is Australia’s third largest trading partner, second largest source of imports, and top source of foreign investment.⁴ More Americans — over 100,000 — live in Australia than vice versa, and from a population of 23 million, some 1.2 million Australians visit the United States each year.⁵ The alliance enjoys strong bipartisan support in both countries among their populations and political leaders.

For all the enthusiasm behind it, it is worth remembering that the alliance is not an end in itself but a means.

The rationale for it on the American side is straightforward. Australia has the world’s twelfth largest economy (larger than Russia’s) and the thirteenth largest military budget, and couples an ability to project power abroad with a broad definition of its national interest.⁶ Over 50,000 military personnel comprise its army, navy and air force, and the defence forces possess both an expeditionary capability and a growing amphibious capability.⁷ The Royal Australian Navy has 53 commissioned naval vessels and



Secretary Hillary Clinton delivers remarks at the launch of the Perth USAsia Centre in 2012.

ambitious plans for procuring submarines, frigates and offshore patrol vessels, while the highly capable Royal Australian Air Force will add to its high-end capabilities by acquiring 72 F-35 joint strike fighters.⁸

Ties with Australia anchor the US presence in the southern Pacific and Indian Ocean, areas of increasing strategic competition and interest to Washington. Australia offers territory for training and prepositioning that is close enough to Asia to be geographically relevant, but still out of range of most Chinese anti-access and area denial defence capabilities. And Australia is a highly reliable ally, joining American efforts in countless military contingencies and diplomatic efforts.

The Australian rationale is different but similarly clear. The alliance with America provides a security guarantee from the world's most powerful military, and as a result reduces not only the degree of threat facing Australia but also the defence spending that would otherwise be required to deal with it.⁹ Canberra enjoys access to cutting-edge defence technology and unparalleled intelligence information and assessments, as well as a direct line to high-level US policymakers.¹⁰

Since the Vietnam War, the alliance has focused mostly outside of the Pacific, and the past fifteen years have seen a particularly intense tempo of allied operations in the greater Middle East. After 9/11, Prime Minister John Howard invoked the ANZUS Treaty for the first time and pledged Australian assistance with any American response to the terrorist attacks. Australian and American troops then fought together in Afghanistan and Iraq, and Australia was the first country to support the American military campaign against ISIS, dispatching some 600 troops.¹¹ Pilots from both countries today carry out air strikes on ISIS positions in Syria while their navies cooperate on maritime security in the Gulf of Aden. Australian troops are training Iraqi security forces on the ground, and an

Australian brigadier serves as deputy commander of the land force in Iraq.

Yet discrete, operational cooperation in the greater Middle East is far different from deterring and potentially acting against a peer adversary in Australia's home region. Both Washington and Canberra are increasingly focused on threats and opportunities across the Indo-Pacific region, and it is in Asia where the alliance's greatest importance and most difficult tests are likely to arise.

Challenges to regional security in Asia continue to mount. China couples rising assertiveness with a military modernisation effort that directly impacts US and allied defence capabilities. North Korea is ever erratic, routinely testing missiles and nuclear weapons, and terrorism is an ever-present challenge across the region. Add to this mix the trafficking of narcotics, piracy in the maritime domain, the rising proliferation of cyber attacks, and the need to respond to large-scale natural disasters, and the Asian demands on allied attention and resources are high and mounting.

At the same time, the strategic environment is changing. As a Congressionally-mandated review of US defence strategy in the Pacific found, "actions by countries in the region routinely challenge the credibility of US security commitments, and US capability development is not keeping pace with challenges by potential competitors, resulting in the regional balance of military power shifting against the United States".¹² This is particularly true in the maritime domain, which has been central to American and Australian economic health for many decades. The combination of territorial disputes, a narrowing American advantage in defence technologies, and Beijing's increased appetite for risk are together putting pressure on the stable Asian order that has helped ensure both prosperity and major power peace.¹³

Against complacency: Four risks to the alliance

While the Australia-US alliance generates benefits on a daily basis, enthusiastic policymakers on both sides have failed systematically to analyse and address a series of mid- to long-term risks to it. Not all of these risks are equal in magnitude or probability, and they range from the potentially existential (a permanent Chinese wedge between the two countries) to the temporary but still possibly significant (an economic downturn). Policymakers should turn their attention to them, and to considering whether and how each might be mitigated.

Risk 1: A Chinese wedge

Australia's close and growing economic ties with China have fuelled domestic prosperity but created worrying asymmetric vulnerabilities. A third of Australian exports go to China, a higher percentage than any other G20 country, and China buys more than half of its exported iron ore.¹⁴ Chinese investment in Australia is on the rise, including in infrastructure projects — recently prompting the government to reject, on national security grounds, a Chinese bid for a major electricity grid in New South Wales. Nearly 50,000 Chinese students started courses in Australian universities and schools over the past year, boosting the country's "education export" industry.¹⁵ China is the largest buyer of Australian government debt¹⁶ and one million Chinese tourists visited Australia in 2015.¹⁷

As Foreign Minister Julie Bishop has pointed out, never before has Australia's chief ally and top economic partner existed in a highly competitive relationship. Complicating matters significantly is Beijing's habit of employing commercial tools to punish perceived transgressions among its economic partners. In the past several years, for instance, China stopped exports to Japan of rare earth materials during the Senkakus crisis, banned the import of Philippine bananas around the time of the Scarborough Shoal flare-up, and promised trade and commercial benefits to Seoul if it rejected Washington's proposed deployment of theatre missile defences.¹⁸ China's own dependence on strategic commodities imported from Australia, including iron ore, coal and liquefied natural gas, will likely shape the kind of economic tools Beijing might

employ should it choose coercion. But the overall pattern of economic dependence remains asymmetric.

Some observers suggest that the result is an inevitable "China choice", in which Australia must select between a binary outcome in Asia: a continuing alliance with an America vainly attempting to maintain primacy, or a China with ambitions to regional dominance. Others add Australian neutrality to the mix of options.

Yet such an overarching strategic choice is not one that even the United States would make. Washington too has a complex relationship with Beijing that mixes areas of cooperation, such as trade and investment, climate change, Afghanistan peace efforts and Iranian nuclear diplomacy, with fierce competition, such as in the East and South China Seas and in the cyber domain. An all-or-nothing China choice would damage both Australian and American interests.

It is also untrue that Australia can avoid choosing at all. The tension between its American alliance and its Chinese economic ties poses a genuine set of dilemmas. Instead of a definitive choice between the two, Australia will face many, more modest choices in response to specific issues and at particular moments. In this sense, Canberra faces a series of dilemmas akin to that of other US allies in the region: an overarching "China choice" is unlikely, but numerous "China choices" are inevitable. And if they are handled poorly, even these more modest choices threaten to drive a wedge between the United States and Australia. They may also undermine Australian security and foreign policy independence — both depend on a balance of power in the Indo-Pacific that prevents China from coercing Canberra or the partners important to it.

This balance requires a strong, active and regionally connected Australia to contribute to its maintenance. As a result, Canberra's aim should be to engage and hedge, both reaping the benefits of extensive economic relations with China while enhancing its security relationships with the United States and like-minded regional partners.¹⁹ In this way, Australia's economic dependency on China enhances rather than diminishes the rationale for a closer security relationship with the United States and others.

There are a number of scenarios in which a China wedge might materialise, each flowing from the central challenge of Australia's close security ties with the United States and close economic ties with China. While no list would do justice to the full range of possibilities, it is worth considering three related, but distinct, sets of challenges in which such tensions might play out.

The first set of challenges would result from Australian actions and policies that are consonant with America's but which would anger China. This may be close at hand. Chinese claims to the vast South China Sea area that falls within the so-called "nine-dash line", together with Beijing's land reclamation and militarisation of features in the area, present a profound challenge both to maritime rules under the UN Convention on the Law of the Sea and to countries in Southeast Asia fearful of Beijing's ability to project power close to their shores.

Australia's view on the matter has been clear. Officials have routinely urged all claimants to resolve their disputes peacefully, and noted that Australia would continue to exercise its rights to freedom of navigation and overflight, and support others as they do the same.²⁰ And so it followed naturally that Canberra would call on China to respect the recent Permanent Court of Arbitration's judgement on the South China Sea.

Yet after it did so, a Chinese foreign policy spokesman pronounced his government "shocked" by Australia's "wrong remarks".²¹ China's notoriously jingoistic *Global Times* went further, calling Australia a "paper cat" and warning that if it "steps into the South China Sea waters, it will be an ideal target for China to warn and strike".

The exchange generated nothing more than rhetorical heat, but it represented the kind of difficult trade-off that Australia may well face in the future. It may, for example, wish to conduct freedom of navigation operations (FONOPs) in the South China Sea, as Washington would like, but risk Chinese economic retaliation if it does so. It might seek to fly through any air defence identification zone established by Beijing in the South China Sea; China has already protested even

the continuation of existing Australian P-3 surveillance flights out of Malaysia.²²

Similarly, Canberra might one day express openness to the Pentagon's interest in rotating new bombers and tankers through Australian air bases — already, nuclear-capable B-2s and B-52s take off from Australian airfields, including in the country's north. And yet in 2015, then-prime minister Tony Abbott quickly and publicly denied that the government was even contemplating the placement of B-1 long range strike bombers in Australia, as a senior Pentagon official had suggested.²³ The reaction suggests both an acute sensitivity to how such news would play in domestic opinion — indeed, the denial generated a raft of media coverage — and a considered judgement of Beijing's likely response. China has warned Australia against such deployments, and it is conceivable they could object even to the continued rotation of existing bombers.²⁴

In such cases, it is entirely possible to imagine Australian policymakers weighing the potential economic punishment that could result from the appearance of siding against China or with the United States; indeed, it would be irresponsible for Australian leaders not to take such matters into consideration. And in a vibrant democracy like Australia's, it would be natural for some domestic business leaders to press on Canberra a policy of distancing itself from the United States in order to preserve good business ties with China.

A second set of challenges would arise not because of Australia's desire to take actions that would anger China, but rather from a significant policy or operational disagreement between the United States and Australia. Washington, for instance, has expressed displeasure with the decision to grant a 99-year lease for the port of Darwin, nearby the deployment of US Marines, to a Chinese firm.²⁵ Similarly, Australia and the United States

In a vibrant democracy like Australia's, it would be natural for some domestic business leaders to press on Canberra a policy of distancing itself from the United States in order to preserve good business ties with China

found themselves on opposite sides of the debate over whether to join the China-led Asian Infrastructure Investment Bank. None of these differences amounted to much friction between the allies, but disagreement on a more important matter — for example, whether to one day impose economic sanctions on China over its South China Sea activities, how hard to push Beijing to restrain North Korean provocations, or the best allied responses to Chinese cyber attacks — could split them in damaging ways.

A third set of “China wedge” challenges would unfold not because of a policy disagreement between the allies, but amid an outright clash between the United States and China. In this, Australia would be required to choose sides. Should China choose to build up and then militarise Scarborough Shoal off of the Philippine coast, for example, it is unlikely but possible that an eventual clash between Chinese and American naval vessels could result. Similarly, one could envision the United States coming to the military aid of its Japanese ally during a flare-up over the Senkaku islands. If Washington at that point called on Australian support, whether maritime or even intelligence in nature, Canberra would face an unavoidable choice between the United States and China.

Already, differences exist in the amount of risk each ally is prepared to absorb in its relations with Beijing. While Washington encourages other countries to join it in conducting freedom of navigation exercises in the South China Sea, for instance, Foreign Minister Julie Bishop condemned a Labor Party spokesman’s call for Australia to join the effort. Describing FONOPs as “military action”, she said that they would “inevitably lead to an escalation of tensions”.²⁶

It is not enough merely to imagine possible scenarios in which Australia’s security ties with Washington and economic relations with Beijing would push Canberra in different directions, to the detriment of the alliance. More important is determining ways to mitigate the risks. There are several avenues of approach.

Understand the specific vulnerabilities. Much of the discussion about China’s possible economic coercion has been abstract, when only the specifics matter. The Australian government and business



President Barack Obama and President Xi Jinping in Beijing, China, 2014
Photo: White House/Pete Souza

sectors need to develop a clearer understanding of specific vulnerabilities based on the pattern of trade and investment, intelligence about Chinese intentions, and the history of Beijing’s recent action. The same goes for Australian leverage; Canberra requires a better understanding of how its own exports of critical commodities and other goods to China might represent a source of countervailing pressure if necessary. Only when armed with a more granular level of understanding can policymakers and business leaders determine where the risks are greatest and how to mitigate them.

Better appreciate the Australian economy’s underlying strengths. The critical intertwining of the Chinese and Australian economies has become conventional wisdom across the Australian business sectors in public discourse. And yet other countries represent important drivers of Australian prosperity. The country’s top foreign investor, for instance, is not China but the United States, and the United States is Australia’s top investment destination overseas.²⁷ When trade and investment are combined, the United States is Australia’s largest economic partner.²⁸ Similarly, Japan has recently passed Britain as Australia’s second-largest source of foreign direct investment (FDI) and, by a measure of economic engagement that includes FDI, portfolio investment and trade, Japan represents Australia’s second-most important economic partner, after the United States.²⁹

Political leaders on both sides should promote a clearer understanding of Australia's diversified portfolio of commercial partners, to ensure that an overestimation of the China factor does not inhibit Australian feelings of foreign policy independence.

Frankly discuss the appetite for risk. Australians — and where appropriate, their American allies — need to engage in honest conversation both publicly and privately about how much risk they are willing to assume in order to help push back against Chinese actions. This discussion begins with an assessment of vulnerabilities and benefits but does not stop there. The corollary is for the United States and Australia to extend a bit of “strategic empathy” to each other, in view of the unique relationships both have with China. Washington policymakers should not assume that Australia will automatically join efforts that may undermine its economic prosperity, while Canberra should appreciate the distinctions between the competitive and cooperative aspects of the US-China relationship.

It may, for example, be the case that Australia needs to react more strongly than Beijing expects to its incremental actions, even if that reaction invites economic punishment. Only when tested in this way can Australia demonstrate that any future Chinese coercion will not automatically prevail. In this discussion, it is worth recalling the view of a legendary Singaporean diplomat with long experience dealing with China. “A favourite Chinese diplomatic tactic”, he said, “is to create false dilemmas and force false choices... Psychological poise requires... the ability for nuanced and unsentimental evaluation of the parameters of major power competition. This enables us to recognise false dilemmas for what they are and resist being pressured into invidious choices.”³⁰

Risk 2: Domestic politics

The second area of risk to the alliance stems from potential changes in Australian domestic politics. Today support for it is a bipartisan shibboleth, and the Liberal and Labor parties have competed to be seen as the better alliance custodians. Yet this was not always the case and, indeed, there have been modest changes over the past decade.

Then-foreign minister Alexander Downer caused a firestorm in 2004 when he said that Australia would not automatically side with the United States if China attacked Taiwan.³¹ Ten years later, defence minister David Johnston gave a similar answer in response to a question about Australia's role amid any confrontation between the United States and China. In sharp contrast to 2004, Johnston's remarks produced veritable yawns.³² After leaving office, former foreign minister Bob Carr added that “it is not in our interests to slide into war with our major trading partner if there's a flare-up about uninhabited islands”, and that Australia will “have more influence in Beijing, anyway, if we are respected for a neutrality based on the view that ANZUS is not an automatic call to arms”.³³ A decade ago, invocations of neutrality from the country's recently departed, top-ranking foreign policy official would have garnered far more headlines.

Other political figures have made similar statements. Former prime minister Malcolm Fraser said in 2014 that the time had come “for Australia to end its strategic dependence on the United States”, adding, “The relationship with America, which has long been regarded as beneficial, has now become dangerous to Australia's future”.³⁴ And in 2016, the leader of the Australian Greens party (which won 10 per cent of the popular vote in this year's federal elections) came out against the alliance, observing that “we have become so enmeshed with America's strategic aims that we jeopardise our own future security and important bilateral relationships in the region”.³⁵

The reality today is that the US alliance remains very popular among Australians in the abstract, but support falls off when the public is queried about concrete policy choices, such as joining the United States in Japan's defence or pushing China from militarised sea features. There are also disquieting signs of equivalence among the Australian public in its views of China and the United States. Asked whether America and China are helping or harming Asia, for example, Australians in a recent United States Studies Centre poll gave the same grade to both. In the same survey, respondents were considerably more likely to say that they sought a stronger relationship with China than with the United States. Eighty per cent said that America's “best years” are in the past.³⁶

Such sentiments illustrate the widening gap between national security elites and the broader public on questions related to the alliance, Australia's role in Asia, and China. In a 2015 poll, the percentage of Australians saying China was likely to be a military threat to Australia in 20 years fell by nine points from the year before — at the very time when China's rising assertiveness in the South China Sea was generating heightened concern in Canberra.³⁷ A plurality of Australians now lists China as Australia's "best friend in Asia", a higher percentage than Japan, the country with which Australia is building a deepening security relationship, and more than India, Singapore, Indonesia or South Korea.³⁸

The gap between public opinion and the national security elite — and between popular opinion and government policy — presents a risk to the alliance, since it is not inevitable that elite views will always trump popular ones when the two clash.

The contrast between public views and the aims of government policy is particularly stark. A variety of recent surveys suggest that a significant proportion of Australians believe American power is declining in the region; that China will replace the United States as the world's superpower; and that the US and China are roughly equivalent when it comes to their behaviour in Asia. At the same time, the Australian government — elected by the same population that holds such views — is increasingly concerned about China's threat to regional rules and ability to project power; investing significantly in its own defence capabilities; boosting security ties with non-Chinese partners; and doubling down on the US alliance. The Australian government also overflies and collects intelligence in Chinese-claimed regions of the South China Sea despite Beijing's protestations, reserves the right to conduct freedom of navigation exercises in the future, and exhorts China to abide by existing rules.

The question arises whether the public-elite gap will remain open forever or, if it begins to close, whether policy moves in the direction of public opinion or that of national security professionals. Professor Rory Medcalf summed up the state of affairs by observing: "Perhaps the only thing that is certain is that governments in Canberra and Washington can no longer assume that the Australian public will go along with whatever policy

decisions officials and political leaders reach when it comes to the shape of the alliance or the way it operates in an increasingly contested Asia."³⁹

Both governments could mitigate the risk of public opinion swinging away from the alliance by more clearly articulating to their own population the concrete benefits the close ties generate. In Australia, this means making the case for the alliance in terms of national interests, including a defence of the liberal order on which the Australian economy depends. Both Americans and Australians seem to be increasingly asking "what's in it for us" when it comes to international engagement; their political leaders should tell them.

This is particularly important to sustain support among the younger generation, whose salient experience is not a westernised Australia tied to America during the Cold War but an Australia increasingly rooted in Asia fighting conflicts in Iraq and Afghanistan. This colours youth attitudes toward both China and the United States. More than half of younger Australians, for instance, say that China is their country's most important relationship, with just 35 per cent listing the United States.⁴⁰ The numbers are reversed in the older cohort.⁴¹

Both Americans and Australians seem to be increasingly asking "what's in it for us" when it comes to international engagement; their political leaders should tell them.

In seeking domestic support for alliance activities that push back against Beijing's transgressions of regional rules, it will be vital to note that the problem is not China's rise but China's revisionism. Policymakers should explain — especially in Australia — precisely what concerns them about Chinese behaviour and the specific implications for Australian interests. Claiming nearly the entirety of the South China Sea, for example, is not an abstract concern when 60 per cent of Australian exports and 40 per cent of imports flow through it. The "why" and not just the "how" of alliance behaviour represents a critical part of the message.

At the same time, the Australian and Chinese governments should not cede the public information

space. China today is employing a variety of soft power tools to shape domestic attitudes in Australia. Beijing publishes newspaper supplements in leading national papers, and leans on advertisers in Chinese-language media in order to exert message control. Beijing is establishing academic centres in Australia that defend Chinese investment and other controversial elements of its engagement, while Australian-based subsidiaries of Chinese companies make political donations.⁴² Xi Jinping has made five visits to Australia and has travelled to every Australian state and territory, while President Obama has made two and cancelled one.⁴³

Australians need a deeper conversation about the degree of foreign involvement to welcome; an overdue element of this, for example, revolves around the possible decision to ban foreign donations to Australian political campaigns. Yet perhaps the best counter to such soft-power efforts is for policymakers simply to telegraph to the Australian people the strategic future they envision, why the rules-based order is beneficial and worth defending, how the alliance stands at the vanguard of that effort, and — critically — how, precisely, all this is driving Canberra's defence investments and foreign policy choices today.

Things may not be as stark as Michael Fullilove put it in his 2016 Boyer Lectures that, "we are present at the destruction — the destruction of a world order that has served Australia's interest well".⁴⁴ Yet certainly we are present at the erosion of that order, and the case for it must be made in concrete terms to the Australian people. For Australia, the alliance with the United States is the first among many avenues for bolstering international order. Its people should be left with no doubt that it is worth defending.

Risk 3: Costs

The alliance with Australia — unlike NATO and the alliances with Japan and South Korea — has not fallen prey to the charges of free riding and worse that have featured so prominently in the 2016 US presidential campaign. And yet when such concerns are shared by political leaders as diverse as Barack Obama and Donald Trump, the two governments should tackle cost concerns head-on.

Even minor flare-ups can cause major headaches. Negotiations over costs of deploying US Marines in Darwin bogged down for months and impeded the movement toward a full complement of 2500 personnel there.⁴⁵ That the allies recently finalised a cost-sharing deal is a healthy sign of their ability to resolve financial difficulties and will clear the way for future growth in the American rotational presence.⁴⁶

Australia currently spends approximately 1.95 per cent of GDP on defence, a figure that has risen from 1.7 per cent in 2012-13, the lowest level since 1938.⁴⁷ While the government has promised to raise the figure to 2 per cent, even then it would remain well below the US figure of 3.3 per cent of GDP.⁴⁸ The United States does not have in Australia the kinds of host-nation cost concerns that have animated accusations against Japan and South Korea, but it is possible to envision an American politician inveighing that Australia does not pay enough for the "protection" afforded to it by the United States.

Another risk revolves around Australia's vaunted defence plan and major commitment to invest in cutting-edge air and undersea platforms. These pledges come as music to the ears of Washington policymakers, who welcome their ally's increasing military capabilities. The 2016 Defence White Paper projects a major increase in the annual defence budget from A\$31.5 billion in 2016-17 to A\$51.5B in 2025-26.⁴⁹ Yet while Australian government officials stress that the ten-year defence plan is fully costed, they do not claim that it is fully funded.

On the contrary, the plan appears to be predicated on positive domestic economic growth, which is perhaps natural in a country that has gone longer than 24 years without a recession. A downturn in the economy, should it occur, would almost certainly wreak havoc on Australia's carefully thought-out defence plan.

In most democracies, a recession that impels budget-tightening nearly always puts downward pressure on discretionary defence spending. Public support in Australia for defence spending has been on the decline for four decades, driven by increased support for social spending and a decreasing sense of external threat — indeed, fewer Australians sense a threat to their

country than at any point since the 1960s.⁵⁰ And social spending in Australia, which is broadly more supportive of safety-net programs than the United States, is projected to outpace revenues over the coming years.⁵¹

An Australian economic downturn could have several negative implications for the alliance. Canberra could choose not to purchase pricey F-35s, French-built submarines and other high-end platforms that have been so welcomed by American defence planners. It might lead to greater parochialism in Australian foreign policy—already, half of Australians say that their country should “mind its own business in international affairs and concentrate more on our national problems”.⁵² And a recession could be linked to a Chinese downturn that means fewer purchases of Australian exports. Should this occur, the reduction in Australian military capability could conceivably take place at precisely the moment that Beijing becomes more externally assertive in order to compensate for its own economic troubles.

There is little that is not already being done to mitigate against this economic risk to the alliance; exhorting an economy to continue growing is of little value. Perhaps the most the two governments can do is to redouble their efforts to clear the more modest cost disagreements — with Darwin as the foremost example — in order to keep momentum moving in the right direction. They could also include an economic component to the annual AUSMIN meetings, which bring together foreign affairs and defence ministers in the principal forum for bilateral consultations, by including personnel from the both treasury departments.

Risk 4: American decline, denial or dysfunction

The perception that the United States is in long-term relative decline and is ambivalent about continuing its traditional leadership role in Asia is today increasingly common across the region. Certainly the past several years have given doubters sufficient ammunition. Sequestration-era defence budgets have cut deeply into military modernisation, readiness, and end strength. To the worries about America’s “strategic

distraction” and focus on numerous Middle Eastern conflicts, Washington has added a new preoccupation with Europe in the wake of Russia’s intervention in Ukraine. Diminishing support for the Trans-Pacific Partnership (TPP) trade agreement has heightened concerns about whether the United States seeks to exercise economic leadership in Asia, and the worry is particularly acute given that opposition to the TPP is increasingly bipartisan. And the 2016 presidential campaign discourse has been anything but an exercise in articulating how America wishes to lead the world into a better future. The percentage of Australians who see the alliance as very or fairly important to Australia’s security has fallen nine points over the past year.⁵³

Add to this the dysfunctional politics that has characterised recent years and the result is, as Rory Medcalf and Raja Mohan have written, “all of this will make the United States a less predictable variable in the Asian power calculus. This in turn means that Asia will not only have to hedge against China’s rise but also against prospects of America’s relative decline and inattention”.⁵⁴

The dysfunction is not, of course, exclusively on America’s side. Over the past four years Australia has had four prime ministers, and in the last eight years four foreign ministers (in contrast to just two in the preceding nineteen years) as well as six defence ministers.⁵⁵ Now the Coalition government enjoys a majority in the Lower House of just one seat.

Diminishing support for the Trans-Pacific Partnership trade agreement has heightened concerns about whether the United States seeks to exercise economic leadership in Asia, and the worry is particularly acute given that opposition to the TPP is increasingly bipartisan.

Carpe occasionem: Twelve alliance opportunities

It is a sign of the alliance's depth and longevity that the most obvious opportunities for bilateral cooperation have long been seized. The United States and Australia work closely in a vast range of areas in the defence and intelligence spheres, and economic and diplomatic relations are similarly close. Nevertheless, a new US administration taking office in 2017 should seek additional ways to strengthen the alliance, and to ensure that it remains a key pillar of continuing American efforts to rebalance toward Asia. The next administration can build on past successes by pursuing the following twelve opportunities.

Enhance bilateral ties

1. Home port US Navy vessels in Australia

Despite several years of discussions, there has been little progress in exploring a significant increase in expanded access arrangements for US naval vessels in Australia. Doing so would make a significant contribution to maintaining rules and security in the neighbourhood and beyond.⁵⁶ As a 2012 Congressionally-mandated study observed, HMAS Stirling on Australia's west coast offers direct access to the Indian Ocean, an extensive offshore exercise area, submarine facilities and docking for surface vessels.⁵⁷ Basing US vessels at Stirling would require significant investments, but the two governments should be ambitious in examining the possibilities, including planning for forward basing an aircraft carrier strike group in Perth.⁵⁸ With the US Navy currently porting its Seventh Fleet in Japan, a second carrier strike group required in the region would likely come from the west coast of the US—and consume precious days in steaming there. At a time when the Navy is projected to grow only incrementally at best, home-porting in the region could expand its effective Asian presence.

2. Expand amphibious exercises

Australia is in the process of acquiring significant new amphibious capabilities, including Landing Helicopter Dock Ships that have been described as a "quantum leap in capability" for the Australian Defence Forces.⁵⁹ These advances will enable the Australian Army to

conduct full spectrum, expeditionary operations, and are taking place in parallel with Japan's development of its own capabilities. As with the possibility of home porting US naval vessels, expanding amphibious exercises can represent a meaningful contribution to the regional stability on which Australia's security and economic interests depend. As Japan stands up its new amphibious rapid deployment brigade and acquires new platforms,⁶⁰ the US and Australia should join the Self Defence Forces in trilateral amphibious exercises aimed at ensuring maximum interoperability among the three forces.

3. Boost space cooperation

The United States once maintained seven different deep space tracking stations in Australia, a number that has shrunk to one — Tidbinbilla, a station located outside of Canberra employed by NASA to communicate with deep space probes.⁶¹ The two governments should take a fresh look at bilateral ways to develop new commercial space opportunities and scientific expertise in both countries. The Australian government, for instance, should explore establishing a space coordinator position, while Washington should encourage commercial space enterprises to link with potential Australian collaborators. The International Aeronautical Congress, which will take place next year in Australia, provides a natural venue to launch a bilateral cooperation initiative.

4. Forge quantum computing cooperation

Australia maintains centres of excellence in quantum computing, including at the University of New South Wales and the University of Sydney. A portion of Australian university-based quantum research is carried out with funding from the US National Security Agency. Potential applications in the field range from advances in signals intelligence, cryptography and encryption, and satellite security. With China in August having launched the world's first quantum satellite,⁶² the impetus is at hand for closer US-Australian collaboration in an area that holds the potential to transform fields as disparate as banking, cybersecurity, and defence.

5. Establish an alliance coordination mechanism and a foreign investment dialogue

Given the increased complexity associated with managing an alliance focused on long-term security challenges in the Indo-Pacific, rather than discrete operational cooperation in the greater Middle East, Australia and the United States should establish a formal alliance coordination mechanism. Such a mechanism could be based on the structure established between the United States and Japan during their 2015 revision of bilateral defence guidelines.⁶³ The coordination mechanism would bring together senior officials on both sides to strengthen long-term planning as well as policy and operational coordination on military issues, particularly in Asia.

At the same time, in light of the surge of Chinese investment into both Australia and the United States, Washington and Canberra should establish a bilateral dialogue on inbound foreign direct investment, with an emphasis on China. The participants should aim to share information on existing and potential investments, operations of the Committee on Foreign Investment in the United States (CFIUS) and Australia's Foreign Investment Review Board (FIRB), lessons learned on each side, and ways in which to limit potential vulnerabilities to infrastructure, critical technologies, and democratic politics.

Focus on Southeast Asia

6. Midwife closer US-Indonesia ties

Australian officials have long encouraged Washington to build closer ties with Jakarta, and some privately express disappointment that Indonesia-US relations have not captured the same sense of possibility so characteristic of the historic transformation in Indo-American ties. Canberra can play a more active role in bringing the two together in various configurations, including with fourth partners.⁶⁴ A highly intriguing possibility resides in trilateral (or quadrilateral with India) defence cooperation in the Cocos Islands.⁶⁵ This Australian territory, which stands in strategic proximity



Foreign Minister
Julie Bishop and US
Secretary of State,
John Kerry,
AUSMIN 2014

Photo:
Lauren Larking,
Australian
Department of
Defence

to the Indian Ocean and the South China Sea, could become the locus for a consortium of unmanned surveillance platforms that provide enhanced maritime domain awareness to the participating parties.

7. Stitch together BPC

An increasing focus of American and Australian security cooperation is on building partnership capacity in Asia. This year Washington inaugurated its five year, \$425 million Southeast Asia Maritime Security Initiative, which aims to establish a shared maritime domain awareness architecture through which countries can identify threats, share information, and build patterns of cooperation.⁶⁶ The focus countries include the Philippines, Vietnam, Indonesia and Malaysia. At the same time, Canberra has transferred vessels to Malaysia and the Philippines, is renewing its defence agreement with Indonesia, and boosted security ties with Vietnam.⁶⁷

Some efforts toward coordinating US and Australian efforts, which by necessity include not only partner navies but also coast guards and law enforcement agencies, has begun. But this is an area ripe for bilateral, long-term strategic planning, with Canberra and Washington sketching out shared objectives and then collaborating to secure the necessary resources to back the effort to build maritime capacity across the region.

Work across the region

8. Prepare a “Plan B” for the TPP

The strategic case for the Trans-Pacific Partnership is well known on both sides of the Pacific, and perhaps no government has been as articulate in pushing for US approval than Australia. Enacting the twelve-nation trade agreement would boost America’s standing in Asia, signal its long-term engagement in the region, strengthen America’s economy and that of the other members, and diversify their trade in a way that leaves them stronger.

For all that, the TPP may very well fail. As President Obama readies a final push for approval in the lame duck session of Congress, Canberra and Washington should not only advocate passage but also contemplate the consequences of failure. Within just a few months, a new presidential administration may well be trying to determine how to deal with the fallout. The two governments should begin readying plans B and C.

One model might be along the lines of Obama’s approach to the Korea-US FTA model — campaign against it, demand a reopening of the negotiations, secure modest changes and then pronounce it mended and ready for enactment. Restarting talks with eleven partners would be significantly more complicated, and several have already rejected the idea. Yet faced with the alternative of no deal at all, they may be willing to re-engage.

An alternative could be a “TPP-lite” approach that excludes several of the most politically contentious areas, such as biologics, but that retains the overall strategic impact that is so important. Leaving out the most difficult choices would hardly augur for their future resolution, but such an outcome would again be preferable to no pact. In either event, the time is at hand to begin contemplating options other than outright enactment.

9. Spur closer Australia-Japan cooperation

Canberra and Tokyo have made significant strides in security cooperation over the past several years. Beginning with the 2007 Joint Declaration on Security

Cooperation in 2007, Australia and Japan announced a “special strategic partnership” in 2014 and today Tokyo’s closest non-American security partner is Australia.⁶⁸ Yet Canberra’s decision to procure submarines from France rather than Japan shocked the Tokyo security establishment and raised doubts there about the geopolitical importance Australia attaches to closer ties with its northeast Asian partner.

This difficulty is deeply understood among Australian policymakers and they are endeavouring to reassure Tokyo of their continuing commitment to deepening ties. Here Washington can play a quiet “marriage counsellor” role, encouraging both capitals to maintain the forward momentum. An early opportunity to do this would be to push Tokyo and Canberra to approve a reciprocal access agreement on defence services and supplies that would facilitate bilateral military cooperation.

10. Re-energise the quad

The promising Quadrilateral Security Dialogue, which included Japan and India, met a somewhat ignominious death when the Rudd government ceased participation, reportedly over concerns about China’s reaction to it.⁶⁹ Given the shared concerns about bolstering regional rules, a resuscitation of quadrilateral cooperation is overdue. This should include a regular ministerial-level dialogue as well as active defence cooperation in areas such as maritime domain awareness. Washington should also push for Australian inclusion in the next Indian-led Malabar naval exercise.

11. Build on the US-New Zealand breakthrough

The visit this November of a US Navy warship to New Zealand will mark the close of a 30-year period of security estrangement and a final thaw in the anachronistic frostiness between Washington and Wellington.⁷⁰ It also represents an opportunity for the United States to deepen cooperation with New Zealand, which has its own special relationship with Australia.

New Zealand has a population of just four million, with a defence budget around one per cent of GDP and a

military force made up of fewer than 15,000 personnel.⁷¹ And yet it is growing more confident in its international role, with a temporary seat on the UN Security Council, an aggressive approach to trade liberalisation, and a military engaged in operations as far afield as the Gulf of Aden and Timor-Leste. Banishing the anachronistic nuclear divide is the first step in an enhanced US-New Zealand partnership in which Australia could play a key role.

Canberra and Washington should examine the array of regional diplomatic meetings, military exercises and gatherings that do not currently include New Zealand and consider extending invitations to them. More ambitiously, the two could encourage Wellington to one day participate in key overflights or freedom of navigation exercises, and even begin contemplating the eventual resuscitation of ANZUS.

12. Coordinate human rights promotion

Australia and the United States should leverage their roles as globally-engaged democracies to promote together human rights in lands where basic freedoms

are lacking. This could take a number of forms, including coordinating aid to bolster Myanmar's emerging democratic system, encouraging the private sector to enlist in the effort to help refugees, and pressing the government of Vietnam to better respect liberties at home. One significant opportunity would have Australia and the United States partner with governments committed to the free flow of online information and the multi-stakeholder model of Internet governance. At a time when the online environment is highly contested and subject to government-driven censorship and monitoring, Canberra and Washington should coordinate efforts to persuade still-ambivalent emerging Asian economies to embrace Internet freedom rather than a state-centric model.⁷²

At a time when the online environment is highly contested and subject to government-driven censorship and monitoring, Canberra and Washington should coordinate efforts to persuade still-ambivalent emerging Asian economies to embrace Internet freedom rather than a state-centric model.

The ostrich or the emu?

Amid the array of potential risks to the Australia-US alliance and the manifold opportunities for closer cooperation, there remains an overarching question. It might be portrayed in shorthand as the “ostrich or the emu”. That is, will the alliance rest on past accomplishments and sentiment, dodging the uncomfortable but very real dilemmas that accompany China’s rise and Australia’s economic vulnerabilities? Will the allies resemble, however faintly, the proverbial ostrich with its head in the sand?

Or will they take on a profile more like the proud emu, standing tall and seeing further, adapting the alliance as underlying security and economic conditions shift?

Most signs point to the latter, but nothing will happen with automaticity. As the United States prepares to elect a new government, Australian officials often ask what the next administration will expect from Canberra. This is the wrong question. Australian and American policymakers should engage in a continuous strategic appraisal of the Indo-Pacific region and their own places within it; establish shared objectives and determine how best to work toward them — both together and in parallel; and have the hard conversations. America needs not merely an enthusiastic supporter in Australia, but an ally and active player.

There are numerous balancing acts for both sides.

Washington will need to avoid the perception of a PACOM-centric over-militarisation of its Asia policy, emphasising the economic and diplomatic aspects of its efforts. A new administration must reiterate its commitment to continuing the rebalance to Asia without either raising unrealistic expectations in the region or fanning fears of abandonment among

America’s allies in Europe and the Middle East. And it will need to resist the urge to put itself in the centre of every regional initiative while ensuring that no leadership vacuum forms.

For Canberra’s part, it will need to make the case to the Australian people for the alliance in the most concrete terms possible, and be franker about its regional concerns, without fearmongering or increasing domestic anxieties. It will need to be both publicly supportive of a new American administration while not holding back with frank assessments of US policy and the way forward. And it will increasingly need to hedge and balance in Asia while ensuring that this approach does not bring about the Chinese behaviour it seeks to deter.

Seventy years ago, in a speech one week before Australia’s federal election, Robert Menzies admonished his countrymen not to “sit at home huddling about ourselves the garments of mere safety”. He said, “we need to avoid a purely defensive conservatism of mind... [for] nothing can be more disastrous for a young country than to live on old ideas”.⁷³

Australia never has, and neither has America. Perhaps it is for this most basic reason that the alliance has been so successful, and it is on this principle that it will best endure. Not to be shaped by events so much as to shape them; not to react to a changing region as to lead it; not to rest merely on appeals to the freedom and prosperity guaranteed thus far but actively to secure them for generations to come. This is an Australia-US alliance worthy of the 21st century, and of the peoples of two proud nations that give it such active life.



The American election and the Australian alliance



Australia's absence from the debates in this historic campaign season is a good thing. Atypically for a presidential election, this year it has been not just US adversaries that have come in for tough criticism, but also allies and partners; Donald Trump has charged NATO, Japan and South Korea with free-riding and demanded higher payments from them. All of the top candidates slammed the Trans-Pacific Partnership. That there has been little political focus on the alliance with Australia means that the next president will encounter more opportunities to drive ties forward than obligations to clear negative air.

And yet even if Hillary Clinton is elected — and as of this writing, all signs point to a Clinton victory — her administration's foreign policy will need to account for the populist forces that have made 2016 such an unusual year. Scepticism of trade agreements will remain high both in key portions of the public and on Capitol Hill. Doubts about military interventions will continue when they are directed at objectives that go beyond narrowly-construed security interests like fighting terrorism. And the impulse will remain to focus (in President Obama's words) on nation-building at home rather than ambitious projects abroad.

Then there is partisanship. A Democratic White House will need Republicans in Congress to pass trade agreements, achieve a lasting budget agreement, end sequestration constraints on defence spending, re-authorise key signals intelligence collection programs, fund foreign assistance, and generate the support necessary to build on the rebalance to Asia. New presidents typically enjoy an initial period of goodwill, even among the opposing party's elected

representatives. A President Hillary Clinton should use it to further these key foreign policy objectives.

None of these factors is specific to Australia, but such is the closeness of our ties that Australia will be affected by each of them.

There remains some chance in this unpredictable election that the next US president will be named Trump and not Clinton. A Trump administration's approach to the Indo-Pacific region and to the alliance with Australia is, at the moment, simply unknown. Herein lies an opportunity for Canberra to engage deeply with a new team to help shape its strategic outlook and heighten its awareness to critical regional drivers.

The Clinton-Trump race has been entertaining for many Australians and simply worrying for others. As the campaign at long last draws to a close, the next president will have more than the usual amount of work to do in ensuring Australia — and the world — that Washington is back, serious, and ready to lead.

Endnotes

1. Bates Gill and Tom Switzer make this point, noting that during World War II Australian combat troops served under General Douglas MacArthur and American air and naval personnel were stationed across Australia. Bates Gill and Tom Switzer, "The New Special Relationship," *Foreign Affairs*, 19 February 2015: <https://www.foreignaffairs.com/articles/australia/2015-02-19/new-special-relationship>.
2. *ibid*
3. Australians at times argue that the alliance was tested in Asia in 1999, when the United States initially declined Canberra's initial request for assistance with its East Timor military operations.
4. <http://dfat.gov.au/about-us/publications/trade-investment/australias-trade-in-goods-and-services/Pages/australias-trade-in-goods-and-services-2014.aspx> ; <http://dfat.gov.au/trade/topics/investment/Pages/which-countries-invest-in-australia.aspx>
5. <http://www.asiamattersforamerica.org/australia/data/population> ; <http://www.asiamattersforamerica.org/australia/data/tourism/outboundtravel>;
6. World Bank, Gross domestic product ranking table, 22 July 2016: <http://data.worldbank.org/data-catalog/GDP-ranking-table> and Rory Medcalf, "Australia and the United States: Navigating Strategic Uncertainty," Brookings Institution Asian Alliances Working Paper Series, July 2016, 4: <https://www.brookings.edu/wp-content/uploads/2016/07/Paper-4v3.pdf>.
7. Elsin Wainwright summarises these benefits superbly in her recent report. Elsin Wainwright, "Australia and the US Asian Alliance Network," The United States Studies Centre at the University of Sydney, March 2016, 9: <http://ussc.edu.au/ussc/assets/media/docs/publications/Alliance21/Australia%20and%20the%20US%20Asian%20alliance%20network.pdf>.
8. Michael Green et. al., "Asia-Pacific Rebalance 2025: Capabilities, Presence, and Partnership," Center for Strategic and International Studies, January 2016, 69: https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/160119_Green_AsiaPacificRebalance2025_Web_0.pdf.
9. Defence White Paper Expert Panel, "Guarding Against Uncertainty: Australian Attitudes to Defence, 33: <http://www.defence.gov.au/whitepaper/docs/GuardingUncertainty.pdf>.
10. Carlyle A. Thayer, "US Rebalancing Strategy and Australia's Response: Business as Usual," in D.W.F. Huang (ed.), *Asia Pacific Countries and the US Rebalancing Strategy*, 2016, 176.
11. Gill and Switzer, "Special Relationship."
12. Green, et. al., "Asia-Pacific Rebalance 2025," 4.
13. Andrew Shearer, "Australia-Japan-US Maritime Cooperation: Creating Federated Capabilities for the Asia-Pacific," Center for Strategic and International Studies, April 2016, 8: https://csis-prod.s3.amazonaws.com/s3fs-public/publication/160401_Shearer_AustJapanUSMaritime_Web.pdf.
14. Stephen Grenville, "How dependent is Australia on China's economic growth?" The Interpreter, 7 September 2015: <http://www.lowyinterpreter.org/post/2015/09/07/How-dependent-is-Australia-on-Chinas-economic-growth.aspx>.
15. Tim Dodd, "Chinese student boom hits new record," *Australian Financial Review*, 10 May 2016: <http://www.afr.com/news/policy/education/the-chinese-student-boom-50000-new-enrolments-in-2016-20160510-goqfkd>.
16. Gill and Switzer, "Special Relationship."
17. The Hon Julie Bishop MP, "Mapping Asia's Trajectory: An Australian Perspective," address to the Center for a New American Security, 26 January 2016: http://foreignminister.gov.au/speeches/Pages/2016/jb_sp_160126.aspx?w=tb1CaGpkPX%2FISOK%2Bg9ZKEg%3D%3D.
18. Robert Blackwill, "America Must Play the Geoeconomics Game," *The National Interest*, 26 June 2016: <http://nationalinterest.org/feature/america-must-play-the-geoeconomics-game-16658>.
19. For a useful discussion of the nature of hedging in the Indo-Pacific, see Rory Medcalf and C. Raja Mohan, "Responding to Indo-Pacific rivalry: Australia, India and middle power coalitions," Lowy Institute for International Policy, August 2014: <http://www.lowyinstitute.org/publications/responding-to-Indo-Pacific-rivalry>.
20. Reuters, "China 'bit shocked' at Julie Bishop's comments on the South China Sea ruling," 15 July 2016: <http://www.news.com.au/national/china-bit-shocked-at-julie-bishops-comments-on-the-south-china-sea-ruling/news-story/05c8a0d11dd42ff86979ddda42c8eb6c>.
21. *Ibid*.
22. Ben Blanchard, "China protests Australia's South China Sea freedom of navigation comment," *Reuters*, 14 July 2016: <http://www.reuters.com/article/southchinasea-ruling-idUSL4N1A037K>.
23. Rob Taylor, "Australia Dials Back US B-1 Bomber Talk," *Wall Street Journal*, 15 May 2015: <http://www.wsj.com/articles/australia-hoses->

- down-u-s-b-1-bomber-talk-1431666963.
24. Lisa Murray and John Kerrin, "China warns Australia on US bombers," *Australian Financial Review*, 19 May 2015: <http://www.afr.com/news/politics/china-warns-australia-on-us-bombers-20150519-gh4x7q>.
 25. http://www.nytimes.com/2016/03/21/world/australia/china-darwin-port-landbridge.html?_r=0
 26. Primrose Riordan, "Julie Bishop warns freedom of navigation exercises will escalate tensions," *Australian Financial Review*, 13 July 2016: <http://www.afr.com/news/julie-bishop-warns-freedom-of-navigation-exercises-will-escalate-tensions-20160713-gg52w8#ixzz4IQFLXxhS>.
 27. Gill and Switzer, "Special Relationship."
 28. Wainwright, "Australia and the US Asian Alliance Network," 9.
 29. Rowan Callick, "Report urges 'total economic engagement' with Japan," *Australian Financial Review*, 9 September 2016: <http://www.theaustralian.com.au/business/report-urges-total-economic-engagement-with-japan/news-story/ad25e04621b0004e7b4bc5e09b4c13a5>.
 30. Bilahari Kausikan, "The Evolving Geopolitics of the Indian Ocean," address in Colombo, Sri Lanka, 26 July 2016.
 31. Nick Bisley and Brendan Taylor, "Conflict in the East China Sea: Would ANZUS Apply?" Australia-China Relations Institute, UTS, November 2014, 5.
 32. *ibid*
 33. Bob Carr, "ANZUS call to arms would fail the pub test," *Sydney Morning Herald*, 4 November 2014: <http://www.smh.com.au/comment/anzus-call-to-arms-would-fail-the-pub-test-20141030-11ecin.html>.
 34. Malcolm Fraser, "America: Australia's Dangerous Ally," *The National Interest*, 16 December 2014: <http://nationalinterest.org/feature/america-australias-dangerous-ally-11858>.
 35. Richard Di Natale, "Building a Confident Australia," address at Lowy Institute, 17 May 2016: <http://greens.org.au/lowy-speech>.
 36. US Studies Centre, "Asian Research Network: Survey on America's Role in the Asia-Pacific," June 2016: http://ussc.edu.au/ussc/assets/media/docs/publications/2016_ARN_Report.pdf.
 37. Aaron Connelly, "The problem with American assumptions about Australia," *The Interpreter*, 17 May 2016: <http://www.lowyinterpreter.org/post/2016/05/17/The-problem-with-American-assumptions-about-Australia.aspx>.
 38. Alex Oliver, "The Lowy Institute Poll 2016," Lowy Institute for International Policy, June 2016, 3.
 39. Medcalf, "Australia and the United States," 6.
 40. Lowy Poll 2016, 10, 11.
 41. Australian National University's Charles Miller argues that Australia is not undergoing a generational shift away from the United States and that ageing, rather than formative political experiences, pushes Australia toward greater support for the alliance. While one certainly hopes that the alliance will remain domestically popular as younger generations gain in age and experience, it would be imprudent to embrace complacency while awaiting this process to take place. See Charles Miller, "Public support for ANZUS: Evidence of a generational shift?" *Australian Journal of Political Science*, June 2015: <http://www.tandfonline.com/doi/citedby/10.1080/10361146.2015.1052370?scroll=top&needAccess=true>.
 42. For a summary of such soft power initiatives, see Angus Grigg, "China's soft power extends to politics, media and universities in Australia," *Australian Financial Review*, 4 June 2016: <http://www.afr.com/news/world/asia/chinas-soft-power-extends-to-politics-media-and-universities-in-australia-20160602-gp9qzx#ixzz4IP1Y6XBQ>.
 43. Australia-China Relations Institute, "China Policy Under the Abbott Government," January 2015: [http://resources.news.com.au/files/718/332/ACRI%20Fact%20Sheet%20Abbott%20Final%20Version%20\(1\).pdf](http://resources.news.com.au/files/718/332/ACRI%20Fact%20Sheet%20Abbott%20Final%20Version%20(1).pdf); Bonnie Malkin, "Barack Obama cancels trip to Australia and Indonesia over BP oil spill," *The Telegraph*, 4 June 2010: <http://www.telegraph.co.uk/news/worldnews/barackobama/7803526/Barack-Obama-cancels-trip-to-Australia-and-Indonesia-over-BP-oil-spill.html>.
 44. Michael Fullilove, *A Larger Australia: The ABC 2015 Boyer Lectures*, Penguin: 2015, 3.
 45. <http://www.theaustralian.com.au/national-affairs/foreign-affairs/pm-to-resolve-row-with-us-on-cost-of-pivot-in-asia-troops/news-story/f859201270b65767a85156b4ce2bc862>
 46. Phillip Coorey, "Australia, US strike cost-sharing deal on Marines," *Australian Financial Review*, 6 October 2016: <http://www.afr.com/news/politics/australia-us-strike-costsharing-deal-on-marines-20161006-grw32j>.
 47. World Bank, "Military Expenditure (% of GDP)," accessed 25 September 2016: <http://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS?locations=AU>.
 48. Thayer, "US Rebalancing Strategy," 186.
 49. Department of Defence, 2016 Defence

- White Paper, table 1, page 180.
50. Defence White Paper Expert Panel, "Guarding Against Uncertainty," 93.
 51. Fullilove, 45.
 52. Lowy Poll 2016, 3.
 53. Lowy Poll 2016, 7.
 54. Medcalf and Mohan, "Responding to Indo-Pacific Rivalry," 8.
 55. Fullilove, *A Larger Australia*, 42.
 56. For a brief articulation of the Australian interest in supporting US forces, see Andrew Shearer, "Uncharted Waters: The US Alliance and Australia's New Era of Strategic Uncertainty," *Lowy Institute for International Policy*, August 2011, 16: <http://www.lowyinstitute.org/publications/uncharted-waters-us-alliance-and-australias-new-era-strategic-uncertainty>.
 57. David J. Berteau, Michael J. Green, et. al., "US Force Posture Strategy in the Asia Pacific Region: An Independent Assessment," *Center for Strategic and International Studies*, August 2012, 31: https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/120814_FINAL_PACOM_optimized.pdf.
 58. Patrick M. Cronin and Richard Fontaine, "Send the US Navy to Australia," *Wall Street Journal*, 3 September 2014: <http://www.wsj.com/articles/send-the-u-s-navy-to-australia-1409760664>.
 59. Peter Dean, "Australia's Emerging Amphibious Warfare Capabilities," *The Diplomat*, 22 August 2014: <http://thediplomat.com/2014/08/australias-emerging-amphibious-warfare-capabilities/>.
 60. Franz-Stefan Gady, "Japan's Military to Get New Assault Amphibious Vehicles," *The Diplomat*, 12 April 2016: <http://thediplomat.com/2016/04/japans-military-to-get-new-assault-amphibious-vehicles/>.
 61. National Aeronautics and Space Administration, "History: Tracking Stations Down Under," *Deep Space Network Canberra Deep Space Communication Complex*: <http://www.cdsc.nasa.gov/Pages/history.html>.
 62. Tim Fernholz, "China's new quantum satellite will try to teleport data outside the bounds of space and time," *Quartz*, 20 August 2016: <http://qz.com/760804/chinas-new-quantum-satellite-will-try-to-teleport-data-outside-the-bounds-of-space-and-time-and-create-an-unbreakable-code/>.
 63. Japan Ministry of Foreign Affairs, "The Guidelines for Japan-US Defense Cooperation," 27 April 2015, 3: <http://www.mofa.go.jp/files/000078188.pdf>.
 64. See Medcalf and Mohan for ideas, on, *inter alia*, working through the Five Power Defence Arrangements. Medcalf and Mohan, "Responding to Indo-Pacific Rivalry," 16.
 65. For detailed proposals for strengthening trilateral US-Japan-Australia maritime cooperation, including for combined theatre anti-submarine warfare operations with India and staging from Cocos Island, see Shearer, "Australia-Japan-US Maritime Cooperation."
 66. <http://thediplomat.com/2016/04/us-kicks-off-new-maritime-security-initiative-for-southeast-asia/>
 67. Tomohiko Satake, "Japan and Australia ramp up defence engagement in the South China Sea," *East Asia Forum*, 26 April 2016: <http://www.eastasiaforum.org/2016/04/26/japan-and-australia-ramp-up-defence-engagement-in-the-south-china-sea/>.
 68. Bhubindar Singh, "The importance of Australia to Japan's national security," *The Interpreter*, 16 May 2016, <http://www.lowyinterpreter.org/post/2016/05/16/The-importance-of-Australia-to-Japans-national-security.aspx>.
 69. David Lang, "The not-quite-quadrilateral: Australia, Japan and India," *Strategic Insights*, Australian Strategic Policy Institute, July 2015: https://www.aspi.org.au/publications/the-not-quite-quadrilateral-australia-japan-and-india/SI92_Australia_Japan_India.pdf.
 70. Richard Fontaine, "A Thaw in the US-New Zealand Nuclear Freeze," *The Diplomat*, 27 July 2016: <http://thediplomat.com/2016/07/a-thaw-in-the-us-new-zealand-nuclear-freeze/>.
 71. <http://thediplomat.com/2016/07/a-thaw-in-the-us-new-zealand-nuclear-freeze/>
 72. Daniel Kliman and Daniel Twining sketched the contours of a proposed "Asian Internet Freedom Caucus" led by Japan, Australia and South Korea in "Japan's Democracy Diplomacy," *The German Marshall Fund of the United States Asia Paper Series*, July 2014, 7: https://www.spf.org/media/upload/3_GMF_final.pdf.
 73. Robert Menzies, "Australian Federal Election Speech," *Delivered at Camberwell, Vic*, August 20th, 1946: <http://electionspeeches.moadoph.gov.au/speeches/1946-robert-menzies>.

About the author



Richard Fontaine

Alliance 21 Fellow

President, Center for a New American Security

Richard Fontaine is the inaugural Alliance 21 Fellow at the United States Studies Centre at the University of Sydney and the President of the Center for a New American Security.

He served as foreign policy advisor to Senator John McCain for more than five years (including during the 2008 presidential campaign) and, following the election, as the minority deputy staff director on the Senate Armed Services Committee. Prior to this, he served as associate director for Near Eastern Affairs at the National Security Council (NSC) from 2003-04. He also worked in the NSC's Asian Affairs directorate, where he covered Southeast Asian issues.

During his time at the State Department, he worked in the office of former Deputy Secretary of State Richard Armitage and in the department's South Asia bureau, working on issues related to India, Nepal and Sri Lanka. He began his foreign policy career as a staff member of the Senate Foreign Relations Committee, focusing on the Middle East and South Asia.

He is a member of the Council on Foreign Relations and has been an adjunct professor in the Security Studies Program at Georgetown University's School of Foreign Service. He also served as the chairman of the World Economic Forum's Global Agenda Council on the United States.

Acknowledgements

The author would like to thank the United States Studies Centre and its remarkable team for the opportunity to serve as the inaugural Alliance 21 Fellow. James Brown was the prime mover and creative force behind this effort, and also helped shepherd this paper from conception to final text. Simon Jackman, April Palmerlee and the rest of the Centre team provided warm hospitality, keen insights into Australia-US relations, and outstanding organisational leadership, while Andrew Kwon was wonderfully supportive. In Perth, I was honoured to be hosted by the Perth USAsia Centre under the leadership of Gordon Flake and his team, including Natalie Sambhi.

I would like to thank the individuals who devoted their time and expertise to reviewing and commenting on previous drafts of this paper, including James Brown, Harry Krejsa, Mira Rapp-Hooper, Dan Kliman, Andrew Shearer, Drew Sheldrick and Ashley Townshend. All views expressed in it are, of course, the author's alone.

United States Studies Centre

Institute Building (H03)
The University of Sydney NSW 2006
Australia

Phone: +61 2 9351 7249

Email: us-studies@sydney.edu.au

Twitter: [@ussc](https://twitter.com/ussc)

Website: ussc.edu.au