

Assessing Australia's bargaining power in the United States alliance at a time of regional power shift



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The advent of the Trump Presidency, coupled with the rise of China, has put considerable strains on the ANZUS alliance between Australia and the United States. Herein, Dr Wilkins presents a methodology for assessing Australia's putative bargaining power within the alliance, demonstrates how Australia's position has been weakened overall by Trump and China, and proposes options for Australia going forward. He concludes that the ANZUS alliance relationship requires careful attention from policy-makers and analysts in the face of mounting challenges.

Key words: Australia, China, Japan, United States, ANZUS alliance, Donald Trump.

The ANZUS Treaty² of 1951 was initially aimed at the possibility of a resurgent and militaristic Japan. During the Cold War, its focus shifted to the threat posed by the Soviet Union and Communist China. For a decade following the Cold War it lacked focus until the 'war on terror' emerged early this century. Now, with the rise of China, it is refocusing again, and being revitalised in order to uphold the 'rules-based order', as operationalised under the new 'Free and Open Indo-Pacific' strategy. In reality, this equates to renewed efforts at maintaining United States primacy in the region.

Against this background, Australia's 2017 foreign policy white paper³ 'doubled down' on the United States alliance. It flagged an increased Australian contribution to, and integration with, the United States-alliance. This deepened reliance upon the United States has also been complemented by a new 'special strategic partnership' with Tokyo, with some commentators, such as Peter Jennings of the Australian Strategic Policy Institute, even advocating for a formalisation of a military defence alliance with Japan⁴. This enhanced bilateral security co-operation is further combined through the 'Trilateral Strategic Dialogue' between Australia, Japan and the United States, whilst the 'Quad' process seeks to bring India on board.

Notwithstanding such efforts, however, the United States alliance system itself is under duress from within and without. From within, President Donald Trump is sceptical of the value of alliances, balking at the cost of allies allegedly 'free-riding' upon United States security guarantees, and failing to meet their share of the allied 'defence burden'. From without, the rise of China has created strategic dilemmas for Australia's United States-alliance, even as it has yielded enormous economic benefits. The tension between Australia's security and economic policies are increasingly generating a series of diplomatic quandaries for Canberra.

As a result, the Australian alliance with the United States is under renewed scrutiny and debate within Australia, where several informed critics have emerged in recent years, including former Prime Minister Malcolm Fraser, former Foreign Ministers Gareth Evans and Bob Carr, as well as eminent strategic analysts and historians such as Hugh White and James Curran, among the most prominent.

In the context of these developments, in my address to the Institute, I discussed the research I have undertaken into Australia's bargaining power with the United States within the ANZUS alliance on behalf of the project "US Allies: A Balance Sheet" for the Sasakawa Peace Foundation.

The Bargaining Ledger – Assets versus Liabilities

In order to gain analytical purchase upon Australia's bargaining power within the alliance, a ledger, or balance-sheet, was drawn up, tallying bargaining assets and bargaining liabilities.

This was not intended to be a 'cost/benefit' analysis of value of the United States alliance to Australia, such as has been common practice in the Australian studies of ANZUS. Rather, it was designed to capture Canberra's *strengths* (assets) and *weaknesses* (liabilities) in intra-alliance bargaining with Washington. It was designed to

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²The 1951 Australia, New Zealand and United States Security Treaty was an agreement to protect the security of the Pacific. Today, in effect, it has become a non-binding, collective security agreement with a potentially global focus, between Australia and New Zealand and, separately, Australia and the United States.

³Department of Foreign Affairs and Trade (2017). *Foreign policy white paper* (Commonwealth of Australia: Canberra).

⁴<https://www.theaustralian.com.au/news/inquirer/with-trump-at-large-australia-needs-a-plan-b-for-defence/news-story/840268f5a43a0d8ad82e2c84c0ccbc97>

provide insights into Canberra's ability to influence United States policies in any given 'bargaining encounter'. The aim being to determine how Australia could defend and advance its national interests not only *through* the alliance, but also *within* it. It therefore emphasised why and how the United States values Australia, and how Canberra can exploit this. The resulting ledger, as a 'first cut' at tabulating the Australian bargaining portfolio, was as follows:

Assets	Liabilities
Loyalty	Power asymmetry
Military contribution	Path dependency – sunk costs
Defence/economic collaboration	Complex economic interdependence with China
Regional networking	
Convergent threat perceptions	
Ideological-domestic compatibility	

By measuring a column of 'assets' against a column of 'liabilities', the resultant 'equity' can be approximated. Quantitating this exercise, even partially, though, was a not deemed viable. The subject matter and the methodological dilemmas it raised, mandated that this be a qualitative exercise. The 'standard' (or 'original') ledger was founded upon what are widely regarded as durable assets/liabilities carefully nurtured over the long life span of the alliance.

Briefly explained, Australia can call upon a number of assets which are valued by United States interlocutors, and should positively influence its bargaining encounters with Washington.

Assets

Loyalty. Firstly, Australia's track record of loyalty, having stood by the United States diplomatically and militarily throughout the Cold War and beyond (*e.g.* Korean War; Vietnam War; Afghanistan, Iraq, and the war on terror), demonstrates its loyalty and willingness to 'pay the blood price' of alliance fraternity.

Military contribution. Secondly, its military contributions, past and present, are also a key asset. The Australian Defence Force operates a range of United States weapon platforms and it is a highly-interoperable and capable coalition partner for the United States.

Defence/economic collaboration. Thirdly, on this basis, Australia is a major customer for United States military hardware with expenditures on American military equipment estimated at \$13 million AUD per day.⁵ This should provide influence with United States defence contractors who represent a powerful lobby on Capitol Hill.

Regional networking. Fourthly, Australia has been proactive in assisting the United States achieve its aim of 'networking' its disparate hub-and-spoke system of bilateral alliances and various strategic partnerships. The Australia-Japan Special Strategic Partnership is

emblematic of this, as are Canberra's close engagement with South East Asian countries, where Washington can rely upon its ally as a favourable advocate.

Ideological-domestic compatibility. Fifthly, Canberra has typically held closely convergent perceptions of threat with Washington on all matters of security, during the Cold War and beyond, and this reassures the United States that Australia is an ally committed to supporting American national security interests. Lastly, a strong degree of ideological and domestic political compatibility has helped smooth intra-allied bargaining. Australia's commitment to liberal democratic values and a bipartisan political support for the alliance has helped it avoid some of the recriminations and thorny difficulties evident in other United States alliance relationships.

Liabilities

Power asymmetry. On the liabilities side, firstly, Australia suffers from power asymmetry with its super-power ally. Not only will it be overawed by far greater United States power and capabilities, but it also is disadvantaged by the weak security guarantee and lack of alliance institutions inherent in ANZUS, leading to a consequent 'fear of abandonment' by the United States. This potentially reduces Australia to a supplicant position.

Path dependency – sunk costs. Secondly, Australia has embedded its defence and military postures so inseparably with the United States that it has limited its room for manoeuvre, especially in bargaining encounters. The investment Australia has made into its alliance relationship (sunk costs) virtually foreordain the adoption of a position favourable to the United States (path dependency). Indeed, its track record of obedience has made it difficult to say 'no' to Washington.

Complex economic interdependence with China. Lastly, the issue of so-called 'complex economic interdependence' with America's rival – China – has complicated its ability to give unqualified support to United States initiatives that may be perceived as detrimental to Beijing. Australia fears that such support may endanger its economic security if China chooses to retaliate.

Trump and the Regional Power Shift – Adjusting the ledger

But with the advent of the Trump Administration in 2016, coupled with the structural power shifts in the region, the standard ledger needs re-visiting and readjusting to take a changed political and strategic environment into account. The President's 'America First' policies such as protectionism, withdrawal from the Trans-Pacific Partnership, and abrogation of the nuclear deal with Iran, have been harmful to Australian interests. Moreover, Trump also has castigated allies and called United States security guarantees into question. As a consequence, allies are now querying United States' credibility as defence partner and its commitment to the liberal international order. This has led Professor Hugh White of the Australian National University to now

⁵Kim Beazley (2016). 'Sovereignty and the US Alliance', in Peter Dean, Stephan Frühling and Brendan Taylor (eds.), *Australia's American alliance* (Melbourne University Publishing: Carlton, Vic.) p. 220.

envisage the future prospect of an 'Asia without America'⁶.

China has been the beneficiary of the United States global retrenchment and the ending of the Obama 'rebalance' towards the Indo-Pacific. Concurrently, China's power and influence keep rising, and are manifest in its significant military and territorial expansion, where it has taken an assertive stance in the South China Sea disputes, accompanied by the use of influence operations and sharp power tactics. The advent of President Trump and the rise of China, together equate to the 'worst of both worlds' for United States allies like Australia and Japan.

As a result of these political and structural trends, the original and long-standing ledger presented above needs adjusting. On the assets side, it would appear that notwithstanding Australian efforts to educate President Trump in the lineage of the alliance relationship, he takes the track record of loyalty into little account. This is extremely debilitating to the Australian position since this asset has been so strongly cultivated as a means of reducing liabilities, such as power asymmetry, in negotiations.

Secondly and thirdly, military and defence collaboration have been raised in profile. Trump is seemingly only interested in extracting material benefits from allies, and on this score Australia apparently meets the expectations of contributing sufficiently. Its enhanced defence budget (meeting the 2 per cent NATO⁷ benchmark of GDP spending), allows Canberra to dodge accusations of 'free-riding'; and its significant investment in a new tranche of United States defence contracts is also viewed as good for United States business by Trump.

Fourthly, American strategic planners, outside of Trump, have been gratified by Australia's boosted efforts to engage with its regional networking strategy; the Japan-Australia strategic partnership goes from strength to strength. Further, Canberra has greatly enhanced its engagement with South East Asia, and, with its new 'step-up' policy, with the South Pacific. The admission of United States forces to Darwin on a rotational basis is indicative of the greater emphasis that America and Australia place upon these nearby regions.

Fifthly, threat perceptions have started to diverge due to structural pressures caused by the rise of China. It is clear that Canberra is ambivalent about backing more confrontational American policies toward China, as outlined by Vice President Pence in a recent speech.⁸ Australian support for United States national security policies has thus become more equivocal.

Lastly, in terms of ideological and domestic compatibility, the alliance has taken a severe hit. It has not been possible to establish a personal rapport with such a fractious President, and one that seems to have turned

his back upon most of the core shared values that animate the alliance relationship. Moreover, there is scant support for Trump among the Australian public, even if the alliance itself theoretically retains domestic approval.

On the liabilities side: firstly, power asymmetry remains a key problem with little prospect of resolution. The problem, however, is magnified under a President like Trump, since, heretofore, close Prime Minister-to-President relations have been so central to the functioning of the alliance, due to the lack of formalisation indicated above.

Secondly, the 2017 Australian Foreign Policy White Paper's⁹ determination to increase military/defence integration with the United States ensures that Australia has further increased its dependence upon its ally (sunk costs), thus restricting further its freedom of action (path dependency). This heightens the risk of becoming 'entrapped' by the United States in a conflict not of Australia's choosing – due to the likely demands that it will face from Washington, including the use of joint facilities located in Australia.

Lastly, the problem of a strategic-economic disconnect between Australia's primary security partner (America) and its principal trading partner (China) show signs no signs of abating. Canberra's willingness to support the United States unequivocally in the case of a clash with the People's Republic of China, or to risk economic retaliation from the Middle Kingdom, weaken its position within the alliance as an absolutely reliable ally.

Conclusion

There are several implications from the foregoing analysis for Australia going forward. A number of paradoxes have emerged in alliance relations that confound easy solutions. In an uncertain strategic environment at a time of power shift, the need for the alliance protection for Australia has become greater than ever, even as America is losing its military dominance over the region. At the same time that Australia has deepened its commitment to the alliance, the current United States President has weakened its credibility and failed to reassure Canberra of its support. Thus, the costs of the alliance have risen even as its value has come into question.

What can Australia do to survive the challenges raised by Trump and the rise of China? Firstly, Australia needs to survive the four-year Trump abomination with the expectation (or hope) that foreign policy in the United States returns to 'normality' (and thus returns to closer conformity with the original ledger). In the meantime, maintaining stability in bilateral relations relies upon 'bypassing Trump' to concentrate upon interaction with

⁶Hugh White (2017). *Without America: Australia and the new Asia* (Black Inc.: Carlton, Vic.).

⁷North Atlantic Treaty Organisation.

⁸<https://www.hudson.org/events/1610-vice-president-mike-pence-s-remarks-on-the-administration-s-policy-towards-china102018>

⁹Department of Foreign Affairs and Trade (2017). *Foreign policy white paper* (Commonwealth of Australia: Canberra).

the 'deep state' of American institutions that endorse the alliance, such as the State Department, Defence Department, military, and other influential actors in Washington. Australia is faced with the daunting task of upholding United States primacy in Asia, alongside other partners such as Japan, even as the President undermines it.

Secondly, Australian policy-makers need to be prepared for the contingency that the Trump approach becomes the 'new normal' in the United States, either by him winning a second term or by a 'Trump 2.0' claiming victory in 2020. This scenario will require radically rethinking our alliance policy settings, and effectively displace the original ledger with a revised one, as intimated above. This will necessitate Australia getting used to paying high defence costs for our own self-reliance, or for our increased contribution to a diminished ANZUS alliance.

Either way, Australia will need to think about reforming ANZUS. This will potentially involve building a stronger alliance infrastructure and formalisation of the alliance so that it can be better insulated against

Presidential proclivities and allow the relationship to proceed on a more stable platform into the future. As always, the question of ANZUS will remain as much a political debate as an purely analytical issue.

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