



Regional Responses to U.S.-China Competition in the Indo-Pacific

**Australia and
New Zealand**

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Preface

This report on Australia and New Zealand is part of a project examining the perspectives of U.S. allies and partners in the Indo-Pacific as they formulate and implement their responses to China's more assertive foreign and security policy and to a more competitive U.S.-China relationship. Australia and New Zealand have expanded their economic ties with China, but there is growing concern in both countries about China's rising power and influence. Australia sees strengthening its alliance with the United States as critical to navigating an increasingly complicated regional security environment. The erosion of the relative position of the United States vis-à-vis China is also driving Australia to engage more directly in the region, including in the Pacific Islands. For similar reasons, New Zealand is strengthening its security ties with the United States and intensifying its regional outreach (particularly, engagement with its Pacific Island neighbors). This stepped-up engagement in the region on the part of Australia and New Zealand creates opportunities for the United States and, specifically, for the U.S. Department of Defense and the U.S. Air Force to work with the two countries, and with other regional partners, in new and innovative ways, both operationally and using soft-power tools and approaches. The other reports in this series are available at www.rand.org/US-PRC-influence.

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Summary

Issue

This report is part of a broader project that assesses the perspectives of U.S. allies and partners in the Indo-Pacific as they formulate and implement their responses to China's more assertive foreign and security policy behavior in the region and to a more competitive U.S.-China relationship. The project also examines how the U.S. Department of Defense, particularly the U.S. Air Force (USAF), can best deepen and improve its ability to work with allies and partners to maintain U.S. advantage in long-term strategic competition with China. In this report, we assess the impact of the changes in China's strategic behavior and U.S.-China relations over the past decade on Australia and New Zealand in terms of their security policies and relationships in the Indo-Pacific region. We focus on two key analytical questions:

1. How do Australia and New Zealand view China's more assertive behavior and increased U.S.-China competition, and how are their governments responding?
2. How should the United States work with Australia and New Zealand to counter Chinese influence and protect common interests in the Indo-Pacific region?

Approach

We draw from a variety of primary and secondary sources, data sets, and interviews. In order to understand regional responses to competition, we interviewed government and military officials and experts in Australia and New Zealand.

Conclusions

We present the following key findings from our analysis:

- Australia views its alliance with the United States as the cornerstone of its security policy and sees strengthening it as playing an indispensable role in ensuring its ability to navigate a regional security environment that is increasingly complicated by China's more assertive behavior, including interference in Australian politics.
- At the same time, while China is a major economic partner for Australia, particularly with respect to trade, Australia aims to maintain a stable relationship with China even as it pushes back against Chinese influence and interference.
- There is growing concern in Australia that China's rising power and influence undercuts Australia's influence in the Indo-Pacific. Australia aims to gain back lost ground, particularly in the Pacific Islands, where it is stepping up its influence as it seeks to counter surging Chinese presence and become the partner of choice in the region.

- The erosion of the relative position of the United States vis-à-vis China is also driving Australia to engage more directly in the Indo-Pacific region and to encourage the development of a new regional architecture.
- Australia's outreach includes strengthening ties with emerging partners, participating in trilateral engagements and the Quadrilateral Security Dialogue ("the Quad"), participating in the U.S.-Japan-Australia infrastructure investment partnership, making Indo-Pacific Endeavour deployments, and implementing its Pacific "Step Up" policy.
- New Zealand has benefited from a growing economic relationship with China since signing a free trade agreement in 2007, but it faces challenges associated with China's growing power and influence. New Zealand is also concerned about the durability of the regional and global order on which its security and prosperity depend.
- New Zealand has responded by strengthening its security ties with the United States since the 2010 Wellington Declaration. Additionally, New Zealand is increasing its regional outreach, most notably by intensifying its engagement with the Pacific Islands.

Australia's *2020 Defence Strategic Update* and *2020 Force Structure Plan*, released on July 1, 2020, reflect the assessment that the key drivers identified in the *2016 Defence White Paper* have accelerated faster than expected.¹ The documents indicate that Australia faces an environment in which U.S.-China strategic competition is intensifying, gray zone activities are on the rise, and the long-term implications of the coronavirus disease 2019 (COVID-19) pandemic remain unclear. Facing these challenges, Australia plans to increase defense spending and strengthen its ability to deter or respond to a variety of potential threats to its interests. Highlighted technology investments include unmanned systems, space and cyber capabilities, long-range antiship missiles, and high-speed missile systems to provide Australia with enhanced deterrence options.

The COVID-19 pandemic has brought many security cooperation activities to a halt (e.g., Australia's Indo-Pacific Endeavour activity for 2020) or has at least resulted in scaled-back activities (e.g., Rim of the Pacific and, possibly, Talisman Sabre 2021).² Australia, along with New Zealand, has refocused its Defence Cooperation Program on its COVID-19 response and is working with partners to identify capability gaps.³ The pandemic provides Australia and New Zealand with an opportunity to rethink how to engage with each other and with regional partner countries in a more coordinated way. It might be time to launch combined, collaborative virtual initiatives in the region. These initiatives could include strategically focused seminars, lectures, tabletop exercises, and crisis simulation activities that address health, governance, and security concerns.

¹ Scott Morrison, "Address – Launch of the 2020 Defence Strategic Update," Canberra: Prime Minister of Australia, July 1, 2020; Australian Government, Department of Defence, *2020 Defence Strategic Update*, Canberra, 2020a; Australian Government, Department of Defence, *2020 Force Structure Plan*, Canberra, 2020b.

² Discussions with Australian Department of Defence officials, May 2020.

³ Australian Government, Department of Defence, "Australia and New Zealand Enhance Defence Cooperation in the Fight Against COVID-19," press release, May 9, 2020c.

Recommendations

For Pacific Air Forces and the USAF:

- Develop options for expanding Enhanced Air Cooperation and consider conducting rotational deployments of USAF bombers to northern Australia.
- Invest in efforts to better understand Australia's and New Zealand's bilateral engagement program, particularly in training, exchanges, exercises, institutional capacity-building, and infrastructural investments and strengthen mechanisms to coordinate and deconflict, where appropriate.
- Construct a set of analytical tabletop exercises that would help the USAF and key allied air forces identify capability gaps against one or more specific scenarios. Such exercises could lead to opportunities to plan better together in both an operational and a security cooperation context.

For the Joint Force:

- Further enhance U.S.-Australia and U.S.-New Zealand cooperation in space and strengthen U.S.-Australia cooperation in the areas of cyber and electronic warfare.
- Strengthen cooperation on research and development of advanced capabilities with Australia and explore options for the codevelopment of capabilities in which both countries are contributing financial resources and manpower.
- Encourage Australia to further increase its Indo-Pacific presence, including participation in multilateral air and maritime activities and operations in the South China Sea.
- Work with Australia and New Zealand to support the Pacific Step Up (Australia) and Pacific Reset (New Zealand) policies.

For the U.S. government at large:

- Continue to support Australia and New Zealand in taking a leading role in the Pacific (specifically, in Melanesia and Polynesia, respectively).
- Continue to encourage Australia's growing cooperation and engagement with other U.S. allies, such as Japan and the Republic of Korea, and emerging partners, such as India and Indonesia.
- Seek opportunities to work with Australia and New Zealand to counter Chinese political interference and influence operations.

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Abbreviations

ADF	Australian Defence Force
ADMM-Plus	ASEAN Defence Ministers' Meeting Plus
ANZUS	Australia, New Zealand, United States Security Treaty
ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DARPA	Defense Advanced Research Projects Agency
DoD	U.S. Department of Defense
EAC	Enhanced Air Cooperation
FAS	Freely Associated States
FDI	foreign direct investment
FONOP	freedom of navigation operation
FPDA	Five Power Defence Arrangements
FSM	Federated States of Micronesia
FTA	free trade agreement
GCSB	Government Communications Security Bureau (New Zealand)
HA/DR	humanitarian assistance and disaster relief
INDOPACOM	U.S. Indo-Pacific Command
INF	intermediate-range nuclear forces
MRF-D	Marine Rotational Force–Darwin
NZDF	New Zealand Defence Force
ONI	Office of National Intelligence
PAF	Project AIR FORCE
PLA	People's Liberation Army
PMSP	Pacific Maritime Security Program

PRC	People's Republic of China
RAAF	Royal Australian Air Force
RMI	Republic of the Marshall Islands
ROK	Republic of Korea
TPP	Trans-Pacific Partnership
TTCP	The Technical Cooperation Program
UK	United Kingdom
UN	United Nations
USAF	U.S. Air Force
USFPI	U.S. Force Posture Initiatives

1. Introduction

The U.S. Department of Defense's (DoD's) National Defense Strategy highlights the important role that U.S. allies and partners play in U.S.-China strategic competition. The strong and enduring relationships with its allies and partners offer the United States distinct advantages in long-term competition with China: The United States is not competing with China on its own but can draw from allied and partner resources, capabilities, and strengths that far exceed what China can bring to bear. As DoD focuses on long-term strategic competition with China, it must understand how U.S. allies and partners in the Indo-Pacific region are responding to the growth in U.S.-China strategic competition and adjusting their approaches to China. This understanding is especially important because U.S. security cooperation with allies and partners is critical to maintaining U.S. strategic advantage in competition with China.

This report on Australia and New Zealand is part of a broader project that aims to understand the perspectives of U.S. allies and partners in the Indo-Pacific as they formulate and implement their responses to China's more assertive foreign and security policy behavior in the region and to a more competitive U.S.-China relationship. We assess how DoD (particularly, the U.S. Air Force [USAF]) can best deepen and improve its ability to work with allies and partners to maintain U.S. advantage in long-term strategic competition with China.

In this report, we assess the impact of the changes in China's strategic behavior and U.S.-China relations over the past decade on Australia and New Zealand in terms of their security policies and relationships in the Indo-Pacific region. We focus on two key analytical questions:

1. How do Australia and New Zealand view China's more assertive behavior and increased U.S.-China competition, and how are their governments responding?
2. How should the United States work with Australia and New Zealand to counter Chinese influence and protect common interests in the Indo-Pacific region?

Applying the Project Framework to Australia and New Zealand

To address these questions, the research team involved with this yearlong project developed a framework that is applied to each of the country case studies, highlighting major diplomatic and political, economic, and military and security factors relevant to understanding the responses of key countries to China's growing power and influence and U.S.-China competition over the past decade. We define U.S.-China competition for influence as focused on shaping partner choices to support U.S. objectives. We conceptualize *influence* as dependent on (1) the extent of *shared interests*—defined to include objectives, values, beliefs, and ideology—between the partner and the United States or China and (2) the capability of the United States or China to incentivize and coerce the partner to act in its interests. Because partners can choose to support the United States,

China, or both, we focus on relative U.S. influence compared with Chinese influence (instead of U.S. influence in isolation or in absolute terms).

Table 1.1 lists 14 variables we considered in assessing relative U.S. and Chinese influence. It includes eight indicators of shared interests and six measures of relative capabilities.

Table 1.1. Variables for Assessing Relative U.S.-China Influence

Source of Influence	Type	Description
Diplomatic and political		
Diplomatic and political ties	Shared interest	How diplomatically and politically important the United States or China is to the partner and the extent of diplomatic ties
Support for U.S. versus Chinese vision for the region	Shared interest	How the partner's views of the ideal regional order aligns with the U.S. vision for the region and U.S. values versus assessed Chinese vision and values for the region
Views of U.S. commitment to the region	Shared interest	How confident (or not confident) the partner is about U.S. commitment or staying power in the region
Public opinion	Shared interest	Relative public perceptions of favorability of the United States versus China
Economic		
<i>Economic dependence</i>	Relative capability	The partner's current economic dependence on the United States versus China, measured by aggregating trade, investment, and tourism
<i>Economic opportunity</i>	Relative capability	How much the partner believes the United States versus China can provide future economic benefits
<i>Threat perceptions of the United States versus China (economic)</i>	Relative capability	How much the partner views U.S. or Chinese economic influence as potentially threatening, subversive, or coercive
Willingness to work with the United States versus China based on economic threat perceptions	Shared interest	Whether the partner's economic threat perception encourages it to work more with the United States or China to balance against the other economically
Military and security		
<i>Threat perceptions of the United States versus China (military)</i>	Relative capability	How much the partner views the United States or China as a military or security threat
Willingness to work with the United States versus China based on military threat perceptions	Shared interest	Whether the partner's military threat perception encourages it to work more with the United States or China to balance against the other militarily
Support for major U.S.-led security efforts	Shared interest	How much the partner generally supports the United States on security issues through its participation in or opposition to major U.S.-led international or regional security efforts
<i>Military cooperation</i>	Relative capability	How much the partner is working closely with the United States versus China militarily
<i>U.S. versus Chinese military capability</i>	Relative capability	How the partner views U.S. versus Chinese military capability
Perception of U.S. willingness to aid partner in conflict with China	Shared interest	How confident (or not confident) the partner is about U.S. willingness to come to its military defense in a potential conflict involving China

NOTE: Variables measuring shared interests are roman, and variables measuring relative capability are italicized.

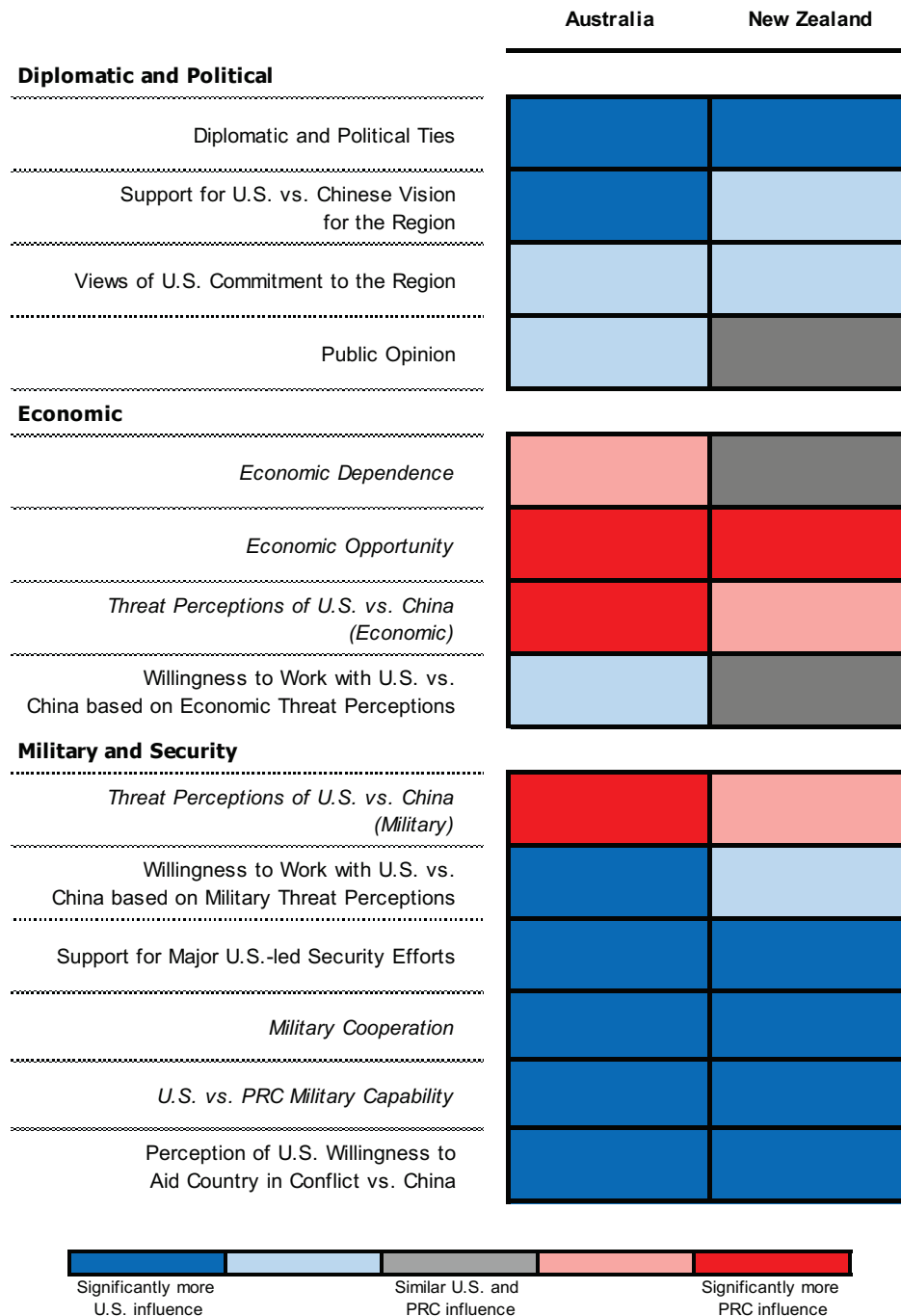
Like the other reports that are part of this broader project, this report examines the evolution of this set of variables over a period of roughly a decade and projects how developments in these areas might unfold over the next five to ten years. The project focused on examining these variables across these periods to explore the impact of growing Chinese power and influence and of the intensification of U.S.-China competition on the views and policies of U.S. allies and partners as they adjust their approaches to the United States, China, and the region. Figure 1.1 provides our findings and displays these assessments with respect to Australia and New Zealand in 2018. The assessments depicted use the information and analysis in the following chapters. Given the mix of qualitative and quantitative variables, the study uses five categories and corresponding colors to capture the broad differences in influence:

- *Significantly more U.S. influence* (blue): The United States has significantly more influence than China. For the quantitative variables, this is coded as a greater than 20 percent U.S. advantage in influence compared with China.
- *More U.S. influence* (light blue): The United States has moderately more influence than China. For the quantitative variables, this is coded as a 3 percent to 20 percent U.S. advantage.
- *Similar U.S. and Chinese influence* (gray): The United States has similar levels of influence as China. For the quantitative variables, this is coded as the United States having influence within 3 percent of Chinese influence.
- *More Chinese influence* (light red): China has moderately more influence than the United States. For the quantitative variables, this is coded as a 3 percent to 20 percent Chinese advantage.
- *Significantly more Chinese influence* (red): China has significantly more influence than the United States. For the quantitative variables, this is coded as a greater than 20 percent Chinese advantage.

Please see Appendix A for more-detailed coding of each variable.

As illustrated in Figure 1.1, the United States retains a clear advantage in the competition for diplomatic influence. Our assessment of diplomatic and political variables reflects significantly more U.S. influence than Chinese influence in terms of diplomatic and political ties with Australia and New Zealand. It also shows greater support for the U.S. vision for the region than for the Chinese vision. Additionally, it suggests some potential challenges in terms of views of U.S. commitment to the region and recent trends in public opinion data in both countries.

Figure 1.1. Relative U.S. and Chinese Influence in Australia and New Zealand (2018)



NOTE: PRC = People's Republic of China. Variables measuring shared interests are roman, and variables measuring relative capability are italicized.

Australia faces an increasingly complex regional security environment as China uses its growing power in ways that threaten to erode the regional security order. For Australia, an increasingly competitive U.S.-China relationship has the potential to intensify the difficulty

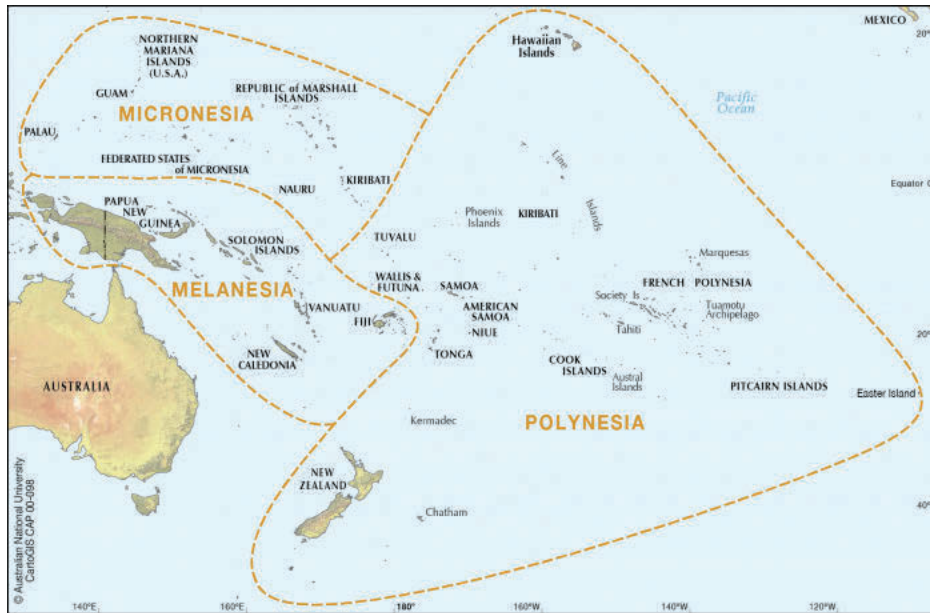
involved in navigating this complex environment. Facing this more challenging environment, Australia has made strengthening its alliance with the United States the cornerstone of its foreign policy. Australia is also responding to the growing complexity of the regional security environment by expanding its diplomatic and defense engagement with key partners throughout the Indo-Pacific region, including Japan, India, Indonesia, Singapore, the Philippines, and Malaysia. Additionally, Australia has passed new legislation to curtail foreign interference in its domestic politics, a development that was motivated in large part by concerns about Chinese influence operations.⁴ Australia is also implementing the Pacific Step Up policy to protect its interests and influence in the Pacific Islands. The Pacific Islands have been identified as Australia's top priority for its international engagement program.⁵ New Zealand faces a similar set of challenges stemming from an increasingly complex regional security environment, including how to contend with China's growing power and influence. Moreover, there are growing concerns about the durability of the regional and global order on which New Zealand's security and prosperity depend. New Zealand has responded, in part, by strengthening its ties with the United States. Additionally, New Zealand (like Australia) is aiming to expand its outreach to regional partners and is increasing its engagement with the Pacific Islands as part of its "Pacific Reset." Figure 1.2 depicts the main subregions of Oceania, or the Pacific Islands: Micronesia, which includes the Republic of the Marshall Islands, Palau, the Federated States of Micronesia (FSM), Guam, and the Northern Mariana Islands; Melanesia, which includes Papua New Guinea, the Solomon Islands, Vanuatu, Fiji, and New Caledonia; and Polynesia, which includes New Zealand, Tuvalu, Tonga, Niue, Samoa, American Samoa, the Cook Islands, French Polynesia, and the Hawaiian Islands.⁶

⁴ Although the Foreign Influence Transparency Scheme, in the view of many observers, was aimed mainly at China, it requires registration in all cases of potential foreign influence in Australian politics. For example, Tony Abbott was asked to register under the Foreign Influence Transparency Scheme prior to speaking at a conference coorganized by the American Conservative Union. See Max Koslowski, "Foreign Influence Laws Won't Change After Tony Abbott Targeted, Porter Says," *Sydney Morning Herald*, November 5, 2019.

⁵ Interviews with Australian officials, Canberra, May 2019.

⁶ The overall region consisting of these three subregions is also referred to as Oceania, and the terms *Oceania* and *Pacific Islands* are used interchangeably throughout this report.

Figure 1.2. Subregions of Oceania



SOURCE: Australian National University, College of Asia and the Pacific, "Subregions of Oceania," webpage, updated February 13, 2020b (CC BY-SA 4.0).

As for economic influence, Figure 1.1 highlights some Chinese advantages. Australia has benefited economically from a growing trade relationship with China, which makes it important for Canberra to maintain a stable bilateral relationship with Beijing. New Zealand has also benefited from a growing economic relationship with China since signing a free trade agreement (FTA) in 2007. Growing trade ties with China could give Beijing coercive leverage, but China is generally viewed as more of an economic opportunity than a threat in Australia and New Zealand. This presents challenges to the United States as U.S.-China competition intensifies. Nonetheless, the United States and many of its other allies and partners maintain strong economic relationships with Australia and New Zealand, especially in terms of foreign direct investment (FDI).

Turning to military and security variables, Figure 1.1 illustrates the significantly greater level of U.S. influence in terms of factors such as support for U.S.-led security efforts and defense cooperation. Australia and New Zealand maintain much closer security ties with the United States than with China. The history of these relationships dates to the signing of the Australia, New Zealand, United States Security Treaty (ANZUS) in 1951. When New Zealand implemented a nuclear-free policy that prohibited visits by U.S. Navy ships in the 1980s, the U.S.-New Zealand leg of the alliance began to unravel, and the United States suspended its treaty obligations with respect to New Zealand. The U.S.-Australia alliance remained intact, and

Australia and New Zealand affirmed that they would maintain their portion of the treaty.⁷ Today, the U.S.-Australia alliance remains the cornerstone of the overall U.S.-Australia relationship. Moreover, a deepening of interoperability in already close alliance cooperation between Australia and the United States has been highlighted by the two countries' forces fighting alongside one another in Afghanistan, as well as by the U.S. Force Posture Initiatives (USFPI), consisting of the Marine Rotational Force–Darwin (MRF-D) and Enhanced Air Cooperation (EAC) between the USAF and Royal Australian Air Force (RAAF).

The U.S.–New Zealand security relationship has also made impressive strides since the 2010 Wellington Declaration, as reflected by the restoration of U.S. Navy ship visits in 2016 (ship visits were suspended for about three decades after the United States broke off its alliance ties with New Zealand over the latter's antinuclear policy in the late 1980s), the New Zealand Defence Force's (NZDF's) participation in North Korea sanctions enforcement activities, and recent space launches conducted for the USAF and the Defense Advanced Research Projects Agency (DARPA) from the Rocket Lab launch site in Mahia, New Zealand. However, Australia and New Zealand view defense exchanges with China as a means of supporting their broader goals of maintaining stable diplomatic relationships with the PRC.

As these findings suggest, this stepped-up engagement in the region on the part of Australia and New Zealand creates opportunities for the United States and, specifically, for DoD and the USAF to invest resources to work with both countries (and with other regional partners) in new and innovative ways, both operationally and using soft-power tools and approaches. Drawing on a review of government documents, academic articles, media reports, public opinion polls, and interviews with more than 60 senior officials and experts in the United States, Australia, and New Zealand, we explore these issues in the remainder of this report with particular attention to how Australia and New Zealand are responding to growing strategic competition between the United States and China and how Washington can work more effectively with Canberra and Wellington in pursuit of shared diplomatic, economic, and security interests.

Organization of This Report

The remainder of this report is organized as follows:

- In Chapter 2, we review how Australia and New Zealand are adjusting their diplomatic relationships with the United States, China, and other countries in the region in response to a more complex environment.
- In Chapter 3, we assess how China's economic importance to Australia and New Zealand has grown, even as it is balanced by their strong economic ties to the United States and other U.S. allies and partners.

⁷ For further details, see U.S. Department of State, Office of the Historian, "The Australia, New Zealand and United States Security Treaty (ANZUS Treaty), 1951," webpage, undated.

- In Chapter 4, we consider how Australia and New Zealand are adjusting their defense relationships in response to growing regional security challenges.
- In Chapter 5, we present an analysis of the outlook in each of these three areas—diplomatic and political, economic, and military and security—over the next five to ten years.
- In Chapter 6, we offer recommendations for the United States and for DoD and the USAF.

2. Australia's and New Zealand's Diplomatic and Political Relationships

In this chapter, we look at how Australia and New Zealand have adjusted their diplomatic and political relationships as the regional security environment has become more complex and as U.S.-China competition has intensified.

Strengthening Relations with the United States

In regard to the diplomatic and political ties variable, Australia and New Zealand prioritize and have robust diplomatic and political ties with the United States in comparison with China. The United States is an indispensable partner for Australia, and the alliance is at the center of Australia's approach to foreign policy and national defense.⁸ More broadly, deep and sustained U.S. engagement in the region is vital to Australia's interests.⁹ Australia views its alliance with the United States as the cornerstone of its security policy and sees strengthening the alliance as playing an indispensable role in ensuring its ability to navigate a regional security environment that is increasingly complicated by China's more assertive behavior, including interference in Australian politics. Similarly, New Zealand prioritizes what it considers to be an important strategic and economic relationship with the United States.

Leaders in Australia and New Zealand generally share views that are in close alignment with the United States on major issues, such as the importance of maintaining a rules-based order in the region and globally. Indeed, both countries view U.S. engagement in the region as helping to bolster the rules-based order that is critical to maintaining their security and prosperity. There are also some differences in views. For example, there are serious concerns in Australia and New Zealand about U.S. withdrawal from the Trans-Pacific Partnership (TPP), and the Trump administration's decision to withdraw from the Paris climate agreement comes at a time of growing public concern about climate change in Australia and New Zealand.¹⁰ U.S. tariffs are

⁸ According to the Australian government's *2017 Foreign Policy White Paper*, "The alliance is a choice we make about how best to pursue our security interests. It is central to our shared objective of shaping the regional order. It delivers a capability edge to our armed forces and intelligence agencies, giving Australia added weight and regional influence." See Australian Government, *2017 Foreign Policy White Paper*, Canberra, November 2017, pp. 39–40.

⁹ The *2017 Foreign Policy White Paper* states, "Our alliance with the United States is central to Australia's approach to the Indo-Pacific. Without strong U.S. political, economic and security engagement, power is likely to shift more quickly in the region and it will be more difficult for Australia to achieve the levels of security and stability we seek." See Australian Government, 2017, p. 4.

¹⁰ Although the Australian public is quite concerned about climate change, the government's projections indicate that it will not meet the Paris targets. See Stephanie March, "Will We Make It?" *Australian Broadcasting Corporation*, March 31, 2019. Additionally, although Prime Minister Scott Morrison has resisted calls from some conservatives to pull out of the Paris Agreement, he has also indicated that Australia will not contribute more money

another source of friction. Australia received an exemption from U.S. steel and aluminum tariffs, but New Zealand has been subject to the tariffs under the Trump administration.¹¹ Nonetheless, U.S. diplomatic, economic, and security ties with Australia and New Zealand remain very strong overall and are bolstered by shared interests and values. Additionally, both Australia and New Zealand are participants in regional initiatives important to the United States, such as North Korea sanctions enforcement activities.

The United States and Australia are generally aligned on their views of the challenges China presents, since Chinese behavior that affects U.S. interests affects Australian interests as well. However, there is not a complete alignment in views. Although Australian officials and analysts increasingly view China through a competitive lens, most still see the relationship as characterized by a mix of cooperative and competitive dynamics.¹²

Many political leaders and government officials in Australia are also concerned about exposure to China's coercive leverage and prefer to avoid unnecessarily antagonizing China. They are willing to do so when they perceive it to be clearly in Australia's interests, however, as reflected by the decision to prohibit Huawei and ZTE from involvement with Australia's 5G communications network and by their response to Beijing's detention of two Canadian citizens in China, which many in Australia regard as blatant hostage-taking, according to interviews.¹³

Even if U.S. and Australian views on China are somewhat imperfectly aligned, China's rise highlights the importance of the alliance and the U.S. role in the region. Australia expects the United States to remain engaged in the region. Yet there are some concerns about the sustainability of U.S. leadership, and there is a sense that Australia and other allies must do more to support and encourage continued U.S. engagement.¹⁴

These concerns are not entirely new. Officials and analysts in Australia welcomed the Obama administration's "rebalance," but there were concerns about its substance and sustainability, and some viewed it as too military-focused.¹⁵ Similarly, Australian officials and analysts have raised several concerns about the Trump administration's approach to foreign policy, both broadly and (in particular) in the region.¹⁶ Although they have generally welcomed the Trump

to the global climate fund under his leadership. See Paul Karp, "Morrison Says Australia Won't Provide More Money for Global Climate Fund," *The Guardian*, October 7, 2018.

¹¹ For the perspective of New Zealand's business community, see John Anthony, "U.S. Decision to Not Exclude NZ from Steel and Aluminum Tariffs 'Churlish': EMA," *Stuff*, May 3, 2018.

¹² Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019.

¹³ Danielle Cave, Elsa Kania, Tom Uren, Fergus Hanson, Peter Jennings, Michael Shoebridge, Samantha Hoffman, Jessica Clarence, and Greg Austin, *Huawei and Australia's 5G Network*, Canberra: Australian Strategic Policy Institute, October 2018. Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019. The subsequent detention of an Australian citizen in China amplified these concerns.

¹⁴ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019.

¹⁵ Interviews with Australian scholars, Sydney and Canberra, January 2019.

¹⁶ See, for example, James Curran, *"Americanism, Not Globalism": President Trump and the American Mission*, Sydney: Lowy Institute, July 2018; Aaron L. Connelly, *Autopilot: East Asia Policy Under Trump*, Sydney: Lowy

administration's stated intent to implement a strategy aimed at maintaining a "free and open Indo-Pacific," they have also raised concerns about elements of the Trump administration's Indo-Pacific strategy, including unclear goals for strategic competition, the lack of a clear economic component, and threats or imposition of tariffs on allies and partners. Some view it as largely focused on military issues and express concerns that this will not be enough to deal with the comprehensive challenge posed by the emergence of a more powerful and more influential China.¹⁷

There are also more-specific concerns related to U.S. engagement, or lack thereof, in other areas. The Trump administration's decision to withdraw from the TPP intensified concerns about the willingness and ability of the United States to continue to play a leadership role in the region. As several interviewees stated, U.S. withdrawal from the TPP sent a very negative message, and countries in the region see a whole-of-government approach as lacking.¹⁸ More broadly, many analysts in Australia and New Zealand view the withdrawal from the TPP as one of several recent strategic missteps on the part of the United States.¹⁹

Additionally, some assess that the withdrawal from the TPP could be a harbinger of a longer-term trend toward diminished U.S. leadership, rather than a manifestation of a short-term disruption of the traditional U.S. approach.²⁰ Along with U.S. abandonment of the TPP, observers in Australia and New Zealand are concerned by the U.S. withdrawal from the Paris Agreement, the Iran nuclear deal, and the Intermediate-Range Nuclear Forces (INF) Treaty. Many interviewees see this series of withdrawals as reflecting a tendency on the part of the Trump administration to disengage from international agreements without a clear plan as to what comes next; some also view the United States leaving these agreements as signaling a broader and perhaps more permanent retreat from America's international leadership position.²¹ In addition, observers are reacting warily to the Trump administration's demands for enormous increases in payments from Seoul and Tokyo as part of its cost-sharing negotiations with the Republic of Korea (ROK) and Japan.²²

Institute, October 2017; and Ashley Townshend, *America First: US Asia Policy Under President Trump*, Sydney: United States Studies Center, March 2017.

¹⁷ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019. From the perspective of Australian officials and scholars, the U.S. military presence is essential, but it is not enough. Similarly, several interviewees stated that they view freedom of navigation operations (FONOPs) as a necessary component of a comprehensive approach, but they argue that FONOPs are not sufficient in and of themselves.

¹⁸ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019.

¹⁹ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019; and interviews with New Zealand government officials and scholars, Wellington, May 2019.

²⁰ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019.

²¹ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019; and interviews with New Zealand government officials and scholars, Wellington, May 2019.

²² On the cost-sharing controversy, see Michael Flynn, Michael Allen, and Carla Martinez Machain, "Trump Wants South Korea and Japan to Pay More for Defense," *Washington Post*, November 26, 2019.

More recently, these concerns about the reliability and predictability of the United States have been increasing.²³ In particular, officials and analysts in Australia were alarmed by Donald Trump's sudden announcement in November 2018 of plans to withdraw U.S. forces from Syria, which came as a surprise to Australia even though Australian military personnel were deployed in the Middle East alongside U.S. forces.²⁴ The resignation of former Secretary of Defense James Mattis in December 2018 added fuel to these concerns about the reliability of the United States under Trump, particularly in that Mattis was widely viewed in Australia as a steady hand and a voice of reason.²⁵ Interviewees also indicated that Mattis' strong commitment to reassuring worried allies and partners played a key, and perhaps irreplaceable, role during a period of growing uncertainty about U.S. leadership.²⁶

Australians also follow developments in U.S. domestic politics very closely, and they are concerned about how domestic political issues might affect U.S. leadership in the region. The December 2018 to January 2019 U.S. government shutdown, which was the longest in U.S. history, represented an alarming level of dysfunction from the perspective of U.S. allies and other countries in Asia.²⁷ In particular, Australian officials indicated that the shutdown affected regional perceptions of U.S. reliability.²⁸

Although support for the alliance with the United States remains strong despite these concerns, it is worth noting that there is also a long-standing counternarrative that is more skeptical of the wisdom of relying on the United States so heavily and of following the United States uncritically.²⁹ Skepticism about overreliance on the United States is a recurrent theme in foreign policy debates, but it has the potential to increase because of concerns about recent U.S. actions that suggest a lack of reliability or point to a declining willingness and ability to continue to play a leadership role regionally and globally.³⁰

New Zealand has also responded by strengthening its ties with the United States. Indeed, New Zealand has considerably strengthened its relationship with the United States, including its

²³ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019; and interviews with New Zealand government officials and scholars, Wellington, May 2019.

²⁴ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019. According to one interviewee, President Trump's November 2018 Syria withdrawal announcement, which came via Twitter without consultation, established a troubling precedent for Australia and other U.S. allies.

²⁵ See, for example, Matthew Knott, "Why James Mattis' Departure Is Terrible News for Australia," *Sydney Morning Herald*, December 21, 2018; and John Kehoe, "James Mattis' Resignation Rocks Australian Defence," *Australian Financial Review*, December 21, 2018.

²⁶ Interviews with Australian government officials, Sydney and Canberra, January 2019.

²⁷ Daniel Miller, "Donald Trump Has Set the Record for the Longest US Government Shutdown—Here's How the Rest Stack Up," *Australian Broadcasting Corporation*, January 12, 2019.

²⁸ Interviews with Australian government officials, Sydney and Canberra, January 2019.

²⁹ Interviews with Australian scholars, Sydney and Canberra, January 2019.

³⁰ Interviews with Australian scholars, Canberra, January 2019.

security ties, particularly since the 2010 Wellington and 2012 Washington Declarations, which marked the renewal of the strategic partnership between the two countries and established a framework for defense dialogues and security cooperation. Moreover, it has done so without many serious questions being raised about whether the restoration of this important relationship could risk compromising its long-standing emphasis on maintaining an independent foreign policy.³¹ This emphasis is particularly important to New Zealand because it is a small country and depends on the rules-based order in the region, which it views as vital to its security and prosperity. From New Zealand's perspective, if big countries do not observe the rules, it is often small countries that pay the price. U.S. commitment to the region appears to be increasingly critical to New Zealand's interests, particularly as China's power grows and it increasingly shows its willingness to throw its weight around.³²

For all these reasons, support for the U.S.–New Zealand defense and security relationship is strong overall, according to interviewees, but the broader relationship is in a somewhat more complicated spot, for several reasons. In particular, the Trump administration's stance on climate change is a major issue because of the importance of climate change to New Zealand and its partners in the Pacific Islands. The U.S. withdrawal from the TPP was also disappointing to New Zealand, not only because the agreement was supposed to become one of the key economic pillars of the overall regional architecture, but also because of its broader impact in terms of regional perceptions of the United States. In addition, there are concerns about aspects of U.S. trade policy, especially tariffs on New Zealand and other allies and partners. All of these issues contribute to questions about the future role of the United States in the region and beyond.³³

Managing Growing Friction in Relations with China

China is a major economic partner for Australia, particularly with respect to trade, and Australia aims to maintain a stable relationship with China even as it pushes back against Chinese influence and interference. Australian officials do not view a purely competitive relationship with China as a realistic option. They note that their economies are closely integrated and interdependent today, in contrast with the situation that prevailed during the Cold

³¹ Interviews with New Zealand scholars, Wellington, May 2019. As one interviewee stated, the U.S.–New Zealand security relationship has come far since the 2010 and 2012 declarations, reflecting the normalization of the relationship. Defense and security cooperation is the best it has been since the U.S.–New Zealand alliance ended in the 1980s, and the relationship has not really been controversial politically. See also Robert Ayson, “NZ-US Relations and Murray McCully's Foreign Policy Legacy,” *The Interpreter*, May 15, 2017a.

³² According to New Zealand Foreign Minister Winston Peters, “While New Zealand and the United States work together on a range of global issues, our cooperation and like-mindedness is now coming into sharper relief in the Asia Pacific where the region is becoming more contested and its security is ever more fragile. It is New Zealand's view that the Asia-Pacific region has reached an inflexion point, one that requires the urgent attention of both Wellington and Washington.” See Winston Peters, “Pacific Partnerships,” speech delivered at Georgetown University, Washington, D.C., December 15, 2018b.

³³ Interviews with New Zealand government officials and scholars, Wellington, May 2019.

War. For Australia, “there is no gain in stifling China’s growth and prosperity.”³⁴ Australia is not interested in containing China but instead in influencing China to exercise its power responsibly. Yet Australian officials and scholars readily point out that China’s behavior in recent years has frequently eroded trust in its intentions. In particular, they view China’s artificial island-building and militarization in the South China Sea as raising serious concerns about China’s strategic intentions.³⁵

Several issues have contributed to friction in bilateral ties, and there has been a notable downturn in Australia-China relations since 2018. Some of the major points of contention in the Australia-China relationship include growing concerns about Chinese interference in Australian politics, national security concerns related to Chinese investment, the South China Sea, and Chinese human rights abuses.

Chinese interference in Australian politics in particular has recently become a major source of friction in the Australia-China relationship. As more attention has focused on Chinese influence operations in Australia, it has become a factor in Australian politics and public opinion about China. The government passed legislation to address foreign interference in June 2018,³⁶ drawing criticism from Beijing.³⁷ In November 2018, Australia passed another law restricting foreign donations to political campaigns,³⁸ a move that was widely viewed as a response to Chinese attempts to use such contributions to influence Australian politics.³⁹

Australian analysts are also concerned about apparent attempts to use local Chinese-language media outlets and state media platforms to promote favorable views of PRC policies among the Chinese community in Australia.⁴⁰ Additionally, local Chinese-language media is shifting from catering to Cantonese speakers to catering to Mandarin speakers and is engaging in more self-censorship as it adapts to reach a diverse and growing audience in Australia: There were about 651,000 people who were born in China living in Australia in 2018, according to data from the Australian Bureau of Statistics.⁴¹

³⁴ Christopher Pyne, “Fullerton Forum Keynote,” Singapore, January 28, 2019.

³⁵ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019.

³⁶ For an analysis, see Evelyn Douek, “What’s in Australia’s New Laws on Foreign Interference in Domestic Politics,” *Lawfare*, blog, July 11, 2018.

³⁷ Damien Cave and Jacqueline Williams, “Australian Law Targets Foreign Interference. China Is Not Pleased,” *New York Times*, June 28, 2018.

³⁸ For an overview of the new rules, see Australian Electoral Commission, “Foreign Donations,” fact sheet, February 20, 2020.

³⁹ Yee-Fui Ng, “The Foreign Donations Bill Will Soon Be Law—What Does It Do and Why Is It Needed?” *The Conversation*, November 27, 2018.

⁴⁰ Wanning Sun, *Chinese-Language Media in Australia: Developments, Challenges and Opportunities*, Sydney: Australia-China Relations Institute, 2016.

⁴¹ For context, in terms of the sources of migrants to Australia (i.e., people born overseas), the United Kingdom (UK) is number one, China is second, India is third, and New Zealand is fourth. Additionally, India has been the biggest source of migrants since 2016. See Australian Bureau of Statistics, “ABS Reveals Insight into Australia’s

Recent developments related to Chinese political interference suggest the issue is likely to remain a source of friction in the Australia-China relationship well into the future. For example, in February 2019, Australia denied citizenship to Huang Xiangmo, a wealthy Chinese businessman who had made large campaign contributions to Australian political parties and who was at the center of a foreign influence scandal that resulted in the resignation of Senator Sam Dastyari in December 2017.⁴² The Australian government also stripped Huang of his permanent resident status, which prevented him from reentering Australia.⁴³

Technology-related security issues have emerged as another major source of tension in China's relationship with Australia. Canberra's August 2018 decision to ban the Chinese telecommunications company Huawei from participating in its 5G network because of national security concerns has contributed to increased tension in the bilateral relationship. Australian officials have stated that the decision was based on concerns about the security of communications networks and critical infrastructure protection.⁴⁴

The South China Sea is another source of concern for Australian defense and security analysts and officials. Australia has directly criticized Chinese island-building and construction of military facilities in the South China Sea. The *2017 Foreign Policy White Paper* describes the South China Sea as "a major fault line in the regional order." As the white paper points out, Australia "does not take sides in the competing claims," but it has "a substantial interest in the stability of this crucial international waterway, and in the norms and laws that govern it."⁴⁵ Australia has urged all claimants to avoid actions that could exacerbate the situation. As the white paper notes, however, "Australia is particularly concerned by the unprecedented pace and scale of China's activities" and "opposes the use of disputed features and artificial structures in the South China Sea for military purposes."⁴⁶ Australia has also called on all claimants to

Chinese Population on Chinese New Year," press release, February 16, 2018; Michael Walsh, Sean Mantesso, Bang Xiao, and Beverley O'Connor, "Australia's Population Hits 25 Million, Newest Resident Likely to Be Young, Female, and Chinese," *Australian Broadcasting Corporation*, August 7, 2018; Australian Bureau of Statistics, "Australia's Population: Over 7.5 Million Born Overseas," press release, updated April 28, 2020; and Mosiqi Acharya, "Indians Are Now Third Largest Group of Migrants in Australia," *SBS Punjabi*, February 5, 2019.

⁴² Dan Conifer and Stephanie Borys, "Australia Denies Citizenship to Chinese Political Donor Huang Xiangmo and Strips His Permanent Residency," *Australian Broadcasting Corporation*, February 5, 2019.

⁴³ Huang was also involved in the establishment of the Australia-China Relations Institute, which until recently was headed by former New South Wales Premier Bob Carr, and served as president of the Australian Council for the Promotion of the Peaceful Reunification of China.

⁴⁴ Rob Taylor and Mayumi Negishi, "U.S. Allies Raise New Security Worries About China's Huawei," *Wall Street Journal*, December 7, 2018.

⁴⁵ Australian Government, 2017, p. 46. This report cites both the *2017 Foreign Policy White Paper* and the *2016 Defence White Paper* throughout the text. It is important to note that there is a broad recognition in the academic and think-tank community and in the Australian government that the assumptions underlying both of these documents have changed because of China's recent behavior. These changes are likely to be reflected in future government white papers.

⁴⁶ Australian Government, 2017, pp. 46–47.

“clarify the full nature and extent of their claims according to the United Nations Convention on the Law of the Sea (UNCLOS)” and voiced its support for the Permanent Court of Arbitration’s ruling on the South China Sea. Australia has not conducted U.S.-style FONOPs in the South China Sea, but it conducts military operations in the South China Sea consistent with its rights to freedom of navigation and overflight, underscoring its commitment to freedom of the seas.⁴⁷

Human rights issues are another source of friction in the Australia-China relationship. Indeed, in late January 2019, just as Australia’s diplomatic relationship with China seemed to be on the mend, PRC authorities detained an Australian citizen in China. Following China’s detention of two Canadian citizens, apparently in retaliation for the arrest of a Huawei executive in Canada, the detention represents a major challenge for Australian officials: One Australian media report describes it as “Canberra’s worst nightmare.”⁴⁸ In addition, China has reportedly harassed Uighur exiles living in Australia amid an intensified campaign of repression in Xinjiang that involves the detention of hundreds of thousands or perhaps millions of Uighurs in internment camps.⁴⁹

New Zealand has benefited from a growing economic relationship with China since signing an FTA in 2007, but it faces challenges associated with China’s growing power and influence. New Zealand’s relationship with China has often been characterized as one of “firsts,” including being the first Western country to conclude a bilateral agreement with China after its World Trade Organization accession (in 1997), the first developed country to recognize China’s status as a market economy (in 2004), the first developed country to enter into negotiations with China on an FTA (also in 2004), the first developed country to conclude a high-quality FTA with China (in 2008), and the first to launch negotiations on upgrading a bilateral FTA (in 2016).⁵⁰ Indeed, China considers New Zealand a “front-runner” in relations between China and Western countries.⁵¹ New Zealand wants to expand on this role by upgrading the New Zealand–China FTA. Moreover, New Zealand is a member of the Asian Infrastructure Investment Bank, and it has expressed support for China’s Belt and Road Initiative (BRI).⁵² However, the New Zealand–

⁴⁷ Euan Graham, “National Interests and the Role of Major and Middle Powers in the South China Sea: Australia’s Cautiously Calibrated Approach,” Canberra: University of New South Wales Canberra at the Australian Defence Force Academy, National Asian Security Studies Program, December 2016.

⁴⁸ Nick McKenzie and Fergus Hunter, “Detention of an Australian in China Is Canberra’s Worst Nightmare,” *Sydney Morning Herald*, January 24, 2019.

⁴⁹ Rick Noack, “Uighurs Fled Persecution in China. Now Beijing’s Harassment Has Followed Them to Australia,” *Washington Post*, February 7, 2019.

⁵⁰ New Zealand Ministry of Foreign Affairs and Trade, “China,” webpage, undated b.

⁵¹ “China, New Zealand Agree to Deepen Comprehensive Strategic Partnership,” *Xinhua*, April 1, 2019.

⁵² “New Zealand Says It Will Find a ‘Win-Win’ Situation in China’s Belt and Road Strategy,” *Australian Broadcasting Corporation*, May 6, 2019.

China relationship has encountered considerable friction in recent years,⁵³ with Prime Minister Jacinda Ardern's April 2019 visit to Beijing widely viewed as an opportunity to stabilize ties with the country that has become its largest trade partner and export destination.⁵⁴ Additionally, some analysts in New Zealand are concerned that the large share of New Zealand's exports going to China could give Beijing economic leverage over New Zealand, allowing it to coerce New Zealand economically like it has done to other countries. However, other observers assess that such tactics would be relatively ineffective should China attempt to employ them, because New Zealand could shift its China-bound exports to other markets.⁵⁵

Although the outlook for the New Zealand–China bilateral relationship appeared more favorable about a decade ago, when the two countries signed their landmark FTA, challenges have become more apparent recently as a result of China's increasingly assertive international behavior and intensifying domestic repression under Xi Jinping. Moreover, New Zealand is becoming increasingly concerned about Chinese influence operations and attempts at interference in domestic politics in New Zealand.⁵⁶ Although New Zealand has yet to pass comprehensive anti-foreign interference and campaign finance legislation of the type enacted in Australia, it is moving to ban large foreign donations to political parties and candidates and to strengthen disclosure requirements for political advertising.⁵⁷

Security concerns related to information and communications technology and cyber issues have also become a point of friction in the New Zealand–China relationship. In November 2018, New Zealand's Government Communications Security Bureau (GCSB) blocked Huawei from the country's 5G network over network security risks,⁵⁸ giving rise to a Chinese pressure campaign and concerns about possible economic retaliation by Beijing.⁵⁹ In December 2018, the GCSB publicly called out China for its cyber-enabled theft of intellectual property and commercial data from companies in several countries, including New Zealand.⁶⁰ In addition,

⁵³ See, for example, Christopher Edward Carroll, "Cracks Appear in the New Zealand-China Relationship," *The Diplomat*, January 18, 2019; and Robert Ayson, "A China Chip on New Zealand's Shoulder?" *The Interpreter*, January 16, 2019.

⁵⁴ Eleanor Albert, "The Dragon and the Kiwi: New Zealand's Ardern in China," *The Diplomat*, April 1, 2019.

⁵⁵ Interviews with New Zealand government officials and scholars, Wellington, May 2019.

⁵⁶ See, for example, Rob Schmitz, "Australia and New Zealand Are Ground Zero for Chinese Influence," *National Public Radio*, October 2, 2018; and Charlotte Graham-McClay, "A New Zealand Lawmaker's Spy-Linked Past Raises Alarms on China's Reach," *New York Times*, October 4, 2017.

⁵⁷ Zane Small, "Foreign Donations to Political Parties to Be Banned in New Zealand," *Newshub*, December 3, 2019.

⁵⁸ See New Zealand Government Communications Security Bureau, "GCSB Statement," November 28, 2018a; and Zane Small, "Prime Minister Jacinda Ardern on Why China Shouldn't Worry About 'Huawei Ban,'" *Newshub*, January 4, 2019.

⁵⁹ See, for example, Harrison Christian, "Huawei Piles Pressure on Govt with Ads and Sponsorship, Security Experts Say," *Stuff*, April 18, 2019.

⁶⁰ See New Zealand Government Communications Security Bureau, "Cyber Campaign Attributed to China," December 21, 2018b.

human rights issues could become a greater source of friction in the bilateral relationship, particularly as a result of China's mass detentions of Uighurs in Xinjiang.

Regional Outlooks Shifting Along with Growing Chinese Power and Influence

In regard to the framework variable highlighting support for U.S. versus Chinese visions for the region, Australia and New Zealand are much more supportive of the U.S. vision for the region. However, there is significant concern in Australia and New Zealand about growing U.S.-China competition. Moreover, in regard to the variable that highlights views on U.S. commitment to the region, there are growing reservations in both countries about aspects of the U.S. approach and the sustainability of U.S. leadership.

Australia's regional outlook is evolving as China's power and influence grow, Beijing pursues its interests in the region more assertively, and the U.S.-China relationship becomes more competitive. Official documents reflect changes in Australia's outlook over time as it has become increasingly concerned about China. A decade ago, such documents were relatively optimistic about the prospects for stable and cooperative ties with China, even as they expressed caution about China's growing military power. For example, Australia's 2009 defense white paper highlights the importance of the U.S.-China relationship to regional stability. It also takes note of China's growing military power, suggesting that the modernization of the People's Liberation Army (PLA) could become a growing cause for concern among China's neighbors, especially in the absence of greater transparency and confidence-building efforts on China's part.⁶¹ Similarly, Australia's *2013 Defence White Paper* notes shifting balances of power in the region and highlights the U.S. "rebalance" to Asia and the importance of the U.S.-China relationship in shaping Australia's regional security environment. It states that the most likely trajectory of the U.S.-China relationship is "one in which the United States and China are able to maintain a constructive relationship encompassing both competition and cooperation."⁶²

More recently, however, Australian analysts have painted a picture that reflects growing concern and even alarm about China's impact on the regional security environment and the implications for Australia. According to Australia's *2016 Defence White Paper*, Australia will face a "more complex strategic environment" in the years ahead.⁶³ There is growing concern in Australia that China's rising power and influence have been undercutting Australia's influence in the Indo-Pacific. Against this background, the emergence of a more competitive U.S.-China relationship intensifies the diplomatic, economic, and defense policy challenges with which

⁶¹ Australian Government, Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Canberra, 2009, p. 34.

⁶² Australian Government, Department of Defence, *2013 Defence White Paper*, Canberra, 2013, p. 9.

⁶³ Australian Department of Defence, *2016 Defence White Paper*, Canberra, 2016, p. 15.

Australian policymakers must contend. More-recent documents reflect these views. For example, as Australia's 2017 *Foreign Policy White Paper* puts it, "Over the coming decade, Australia will need to pursue its interests in a more competitive and contested world."⁶⁴ Australia faces this more complex environment in large part because "a post-Cold War lull in major power rivalry has ended."⁶⁵ Describing the implications of this competition, the white paper states, "The Indo-Pacific's stability depends more than ever on the actions of, and relations between, two of Australia's most important partners—the United States and China."⁶⁶

New Zealand's outlook on the regional security environment is also changing. New Zealand is concerned about the durability of the regional and global order on which its security and prosperity depend. Indeed, official documents published over the past decade reflect growing concerns about the durability of the rules-based order in the region and beyond. One major reason is China's rise. New Zealand's 2010 defense white paper takes note of China's growing power and the potential for increased regional tensions, but it is generally careful in its language about China.⁶⁷ New Zealand's 2016 defense white paper mentions tensions over the South China Sea and the Senkaku/Diaoyu Islands, though it is still careful in its discussion of China, which it identifies as an "important strategic partner for New Zealand."⁶⁸ In contrast, New Zealand's 2018 strategic defense policy statement finds that the country faces "a more challenging and complex strategic environment" in which the rules-based order that supports its security and prosperity faces mounting challenges. The 2018 strategic defense policy statement states that major powers are pursuing spheres of influence, sometimes in ways that challenge international norms, and it specifically highlights China's behavior in this regard.⁶⁹ The document also highlights concerns about challenges posed by populist and nationalist trends in Western democracies and uncertainty about the future international role of the United States.⁷⁰

The combination of China's rise and intensifying great-power competition between China and the United States has increased the attention to ongoing debates in Australia and New Zealand about how to manage ties with China, which is an important economic partner and an

⁶⁴ Australian Government, 2017, p. 1.

⁶⁵ Australian Government, 2017, p. 21.

⁶⁶ Australian Government, 2017, p. 38.

⁶⁷ New Zealand's 2010 defense white paper notes tensions related to the Korean Peninsula, Taiwan, and the South China Sea. It also assesses that China would likely pursue its interests more assertively as its power grows and that PLA modernization—and regional responses—could "test the relationships of the major regional powers." See New Zealand Government, *Defence White Paper 2010*, Wellington, New Zealand: Ministry of Defence, 2010.

⁶⁸ See New Zealand Government, *Defence White Paper 2016*, Wellington, New Zealand: Ministry of Defence, June 2016, p. 33.

⁶⁹ New Zealand Government, *Strategic Defence Policy Statement 2018*, Wellington, New Zealand: Ministry of Defence, July 2018a.

⁷⁰ The 2018 strategic defense policy statement also notes challenges related to "complex disruptors" (such as climate change, terrorism, and transnational organized crime); New Zealand Government, 2018a.

increasingly influential power in the region, and the United States, which remains a vital security partner and an important economic partner as well.

Intensifying U.S.-China Competition Presents Serious Challenges

There is a long-standing debate in Australia about the implications of China's rise from economic and security perspectives and about its implications for Australia's relationship with the United States. This started out as a scholarly debate in 2012, with Hugh White raising questions about the possibility Australia would eventually have to choose between China and the United States.⁷¹ What began as a largely academic debate has taken on more immediate relevance as the U.S.-China relationship has become increasingly competitive. Concerns about how to deal with the United States and China predate the arrival of U.S.-China "strategic competition," but such competition makes the problem harder. Australia still wants to have a productive relationship with China and a strong alliance with the United States, as several interviewees noted, but the emergence of a more competitive U.S.-China relationship has raised the prospect that Australia might have to redefine its relationships with the United States, China, or both.⁷²

Australian analysts and officials are keenly aware of the increasingly competitive dynamics at the center of the U.S.-China relationship, and they view growing competition between the United States and China as a key determinant of Australia's regional security environment. According to the *2017 Foreign Policy White Paper*,

In the Indo-Pacific, the economic growth that has come with globalization is in turn changing power balances. The United States has been the dominant power in our region throughout Australia's post-Second World War history. Today, China is challenging America's position.⁷³

Similarly, speaking at the January 2019 Fullerton Forum in Singapore, then Defense Minister Christopher Pyne stated that the Indo-Pacific region is

witnessing a major shift of global economic and political influence. It is seeing the rise of new powers and the re-emergence of old ones. It also plays host to the defining great power rivalry of our times—between the United States and China.⁷⁴

As these statements indicate, Australian analysts and officials see U.S.-China competition intensifying as changes in the balance of power become more apparent. As several interviewees put it, observers are increasingly attuned to shifting power balances, and they assess that China is

⁷¹ Hugh White, *The China Choice: Why We Should Share Power*, Oxford, United Kingdom: Oxford University Press, 2013.

⁷² Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019.

⁷³ Australian Government, 2017, p. 1.

⁷⁴ Pyne, 2019.

increasing its relative power and influence.⁷⁵ The implications for Australia are serious, and the overall strategic situation could very well deteriorate further over the coming years, particularly if China continues to expand its influence and to pursue its objectives more aggressively and the United States is unable or unwilling to respond effectively. The convergence of these developments is particularly concerning to many in Australia. As one analyst put it, “the relative power of the United States is declining while the Trump administration is sending inconsistent and confusing signals to its allies on its willingness to invest in the world order that America established.”⁷⁶

From Australia’s perspective, one of the most important and most alarming elements of these shifts in relative power is the extent to which China is changing the military balance in the Indo-Pacific region. Australian analysts note that China is improving its capabilities in ways that present sharp challenges to the traditional U.S. position of military dominance in the region, especially in areas geographically close to China, where the Chinese military can employ a formidable array of anti-access and area denial capabilities to counter U.S. military intervention. More broadly, many analysts have been impressed by the rapid development of China’s maritime power. For example, as one observer notes, “China has built the equivalent of the entire French Navy in the past four years.”⁷⁷ Furthermore, according to interviewees, the qualitative edge the United States has traditionally maintained over China is eroding because of advances in Chinese weapons programs, and confidence in the ability of the United States to sustain its technological superiority over China is declining as a result.⁷⁸

Views on the overall situation are mixed. Some observers are decidedly pessimistic, concluding that, as a result of the trends identified above, China appears to be gaining the upper hand in the competition. Indeed, according to some observers, Australia must contend with the possibility that China might already be winning the broader competition for influence, at least in some places. As the *2017 Foreign Policy White Paper* puts it, “In parts of the Indo-Pacific, including in Southeast Asia, China’s power and influence are growing to match, and in some cases exceed, that of the United States.”⁷⁹ Some analysts expect the situation may become even more challenging in the future. As one observer wrote, “Time is not Australia’s friend.”⁸⁰ In terms of the prospects for the overall competition, however, other analysts judge that the United States still retains a clear advantage, at least at the global level. According to the *2017 Foreign*

⁷⁵ Interviews with Australian government officials and scholars, Canberra, January 2019.

⁷⁶ Albert Palazzo, *From Dependency to Armed Neutrality: Future Options for Australian National Security*, Canberra: Australian National University, Strategic and Defense Studies Center, November 2018, p. 2.

⁷⁷ David Feeney, “*The Ostrich Sticks Its Head in the Sand and Thinks Itself Safe*”: *Australia’s Need for a Grand Strategy*, Canberra: Australian National University, Strategic and Defense Studies Center, December 2018, p. 3.

⁷⁸ Interviews with Australian government officials and scholars, Canberra, January 2019.

⁷⁹ Australian Government, 2017, p. 25.

⁸⁰ Feeney, 2018, p. 2.

Policy White Paper, “Even as China’s power grows and it competes more directly with the United States regionally and globally, the United States will, for the foreseeable future, retain its significant global lead in military and soft power.”⁸¹

One key point on which most Australian analysts and officials appear to agree is that they should expect these competitive trends between the United States and China to continue, or even intensify. As Minister for Defence Linda Reynolds noted at the June 2019 Shangri-La Dialogue, “major power rivalries” are one of the defining features of an increasingly “complex and contested” Indo-Pacific region.⁸² Moreover, Australian officials and analysts assess that economic competition could further intensify the strategic competition more broadly, noting that “there is a risk that trade and investment, which in the past have acted to restrain strategic rivalry, could fuel it instead.”⁸³ However, they reject the characterization of the U.S.-China relationship as a “new Cold War.”⁸⁴ Moreover, they are eager to avoid a situation in which the United States and China become outright foes, not just strategic competitors. From Australia’s perspective, it is essential that the U.S.-China relationship does not become completely adversarial.⁸⁵

In all, Australian analysts and officials are keenly aware of the increasingly competitive nature of the U.S.-China relationship. They assess that growing competition in the U.S.-China relationship has the potential to complicate Australia’s regional security environment and exacerbate the dilemmas Australia faces in some of its key relationships. In particular, they recognize that sharper competition between the United States and China is likely to make it more difficult for Australia to navigate its ties between the two major powers, but they still reject the notion that Australia, or other countries in the region, must choose between China and the United States. As several interviewees put it, Australia has not given up trying to influence China in the right direction. Moreover, from Australia’s point of view, competition without engagement would be dangerous and worrisome, and it could be devastating to Australia’s economy.⁸⁶ Accordingly, many in Australia have been reluctant to fully embrace U.S. language about strategic competition with China, and they view a more sharply competitive U.S.-China

⁸¹ Australian Government, 2017, p. 26.

⁸² Linda Reynolds, Australian Minister for Defence, “Shangri-La Dialogue 2019,” speech delivered at the Shangri-La Dialogue, Singapore, June 2, 2019.

⁸³ Australian Government, 2017, p. 27.

⁸⁴ Former Minister Pyne rejected calling the situation a “new Cold War,” which he said would be “a simplistic and unsophisticated characterization of what is a much more complex and dynamic geostrategic paradigm.” Moreover, he said, “Cold War commentary fails to see a fundamental but defining difference, namely, that the world’s economies are far more closely integrated and mutually dependent than they were when the West contested the Soviet Bloc.” See Pyne, 2019.

⁸⁵ Interviews with Australian scholars, Canberra, January 2019.

⁸⁶ Interviews with Australian scholars, Sydney, January 2019.

relationship as potentially presenting challenges to Australian interests.⁸⁷ In addition, Australian officials flatly rejected a statement by a Trump administration official describing the U.S.-China competition as one between different civilizations.⁸⁸

Some interviewees also expressed concerns about the U.S. approach to competition with China potentially creating opportunities for China to drive wedges between the United States and its allies and partners.⁸⁹ There are concerns about how a more competitive U.S.-China relationship could play out in other parts of the region that are important to Australia's interests, notably in Southeast Asia, where Australian analysts point out that countries want to avoid making a choice between the United States and China. Countries could become objects of competition in ways that would leave them constantly pressured to make difficult decisions in favor of the United States or China.⁹⁰ Worst of all would be if they perceive that the United States is the party forcing them to make such choices. As one interviewee put it, if someone is going to make other countries feel compelled to choose, it would be better—for Australia and for the United States—if it is China that makes them choose.⁹¹

In New Zealand, there are similar concerns about the implications of a more sharply competitive U.S.-China relationship, including the U.S.-China trade war and rising tension over security issues. New Zealand has enjoyed a stable environment that has allowed it to focus on trade for several decades. But now it can no longer take stability for granted. China is throwing its weight around, and U.S. views on the U.S.-China relationship have shifted. Analysts in New Zealand have a somewhat different perspective on China, but they are also conscious of the long-term strategic challenge that China represents. Most observers in New Zealand do not view China as a direct military threat, at least not in the same way as their counterparts in countries that have maritime disputes with China, such as Japan, Vietnam, and the Philippines. However, they are concerned that China could use its growing military power to coerce other countries or to undermine key aspects of the rules-based order in the region, such as freedom of the seas.⁹² Indeed, they are increasingly concerned about Chinese actions that threaten to undermine the rules-based order generally, and Chinese influence in the Pacific is a matter of growing concern in particular. In addition, PRC activities in Antarctica are drawing the attention of defense and security analysts.⁹³

⁸⁷ Interviews with Australian government officials and scholars, Canberra, January 2019. As one interviewee said, "Australia feels the pressure when the U.S. and China aren't getting along."

⁸⁸ Stephen Dziedzic, "Australian Government Sources Blast US Official Who Described US-China Clash as a Race Contest," *Australian Broadcasting Corporation*, May 3, 2019.

⁸⁹ Interviews with Australian government officials and scholars, Canberra, January 2019.

⁹⁰ See, for example, Peter Layton, "US-China Competition Is All About Us," *The Interpreter*, December 7, 2018.

⁹¹ Interview with Australian scholar, Canberra, January 2019.

⁹² Interviews with New Zealand government officials and scholars, Wellington, May 2019.

⁹³ Interviews with New Zealand government officials and scholars, Wellington, May 2019.

New Zealand does not want to see the emergence of a China-led regional order, and New Zealand is willing to work with the United States to avoid a China-dominated region, but analysts and officials assess that containment and zero-sum approaches are likely to prove counterproductive. From New Zealand's point of view, the United States should compete vigorously where it must, but it should also find areas where it can cooperate with China. New Zealand analysts and officials assess that the best outcome will only be possible if strategic competition does not crowd out all room for cooperation. There are concerns that sharper U.S.-China strategic competition could put New Zealand in a difficult position.⁹⁴ Likewise, analysts are concerned that, if the United States cannot cooperate with China at all, it could become a very difficult situation for countries in Southeast Asia, where leaders do not want to feel forced to choose between the United States and China. Additionally, some analysts in New Zealand have recently expressed skepticism about the wisdom of adopting a stronger approach to dealing with China at a time when they view the United States as, at best, an unreliable partner and, at worst, a challenge to important aspects of the rules-based order in its own right.⁹⁵

Expanding Engagement with Other Countries in the Region

There is growing concern in Australia that China's rising power and influence undercuts Australia's influence in the Indo-Pacific. Australia aims to gain back lost ground, particularly in the Pacific Islands but also more broadly in the region. The erosion of the relative position of the United States vis-à-vis China is also driving Australia to engage more directly in the Indo-Pacific region, encourage a new regional architecture, and step up its influence as it seeks to become the partner of choice in the Pacific Islands. Australia's outreach includes strengthening ties with emerging partners; participating in trilateral engagements, the Quadrilateral Security Dialogue ("the Quad"), and the U.S.-Japan-Australia infrastructure investment partnership; making Indo-Pacific Endeavour deployments; and implementing its Pacific Step Up policy.

Australia aims to strengthen its ties with other countries in the region as a key component of its expanded engagement. In recent years, Australia has expanded its engagement with Japan, India, Indonesia, Vietnam, Singapore, and several other countries throughout the Indo-Pacific

⁹⁴ For example, according to one interviewee, the background of escalating U.S.-China competition made blocking Huawei from the 5G network more difficult for New Zealand to manage because it made the move appear to some to be a result of U.S. pressure rather than New Zealand following its own process that takes security threats into account when weighing such decisions.

⁹⁵ For example, according to Robert Ayson, a professor of strategic studies at Victoria University of Wellington, It would be one thing to add New Zealand's principled voice to an ensemble of China concern if the choir was unified and led by an internationally respected conductor. But has anyone seen how today's conductor is behaving? In Trump's universe, traditional allies and close partners are at best expendable and at worst counter-productive. To the 45th president, the rules-based order is barely relevant, including as it applies to trade.

See Ayson, 2019.

region. According to Australia's 2017 *Foreign Policy White Paper*, "To support a balance in the Indo-Pacific favorable to our interests and promote an open, inclusive and rules-based region, Australia will also work more closely with the region's major democracies, bilaterally and in small groupings."⁹⁶ Some of the key countries at the center of these efforts include New Zealand, Indonesia, other Southeast Asian nations, Japan, and India.⁹⁷

New Zealand is a key partner for Australia because of a combination of geographic proximity, shared values, and common interests. Australia's 2016 defense white paper describes the close ties between the two countries as follows: "We share our immediate region, the South Pacific, a reliance on the stable rules-based global order for our prosperity and a willingness to make positive contributions to regional and global security and stability operations."⁹⁸

Australian policymakers view Indonesia as an important neighbor and a country with tremendous potential. Indeed, there is a growing expectation that Indonesia will become a much more important actor in the region over the next 20 years, according to interviewees.⁹⁹ The relationship with Indonesia is thus a critical one, from Canberra's perspective. The 2016 defense white paper describes Australia's relationship with Indonesia as "vital," highlights Indonesia's prospects for further economic growth, and assesses that, along with such growth, Indonesia "has the potential to increase its regional and global influence."¹⁰⁰ Analysts and other observers are somewhat divided, however, on the questions of how likely it is that Indonesia will reach its full potential and how long it might take to do so.

Australia also prioritizes improving its ties with other countries in Southeast Asia. Much of this effort centers on its relationship with the Association of Southeast Asian Nations (ASEAN).¹⁰¹ As competition for influence in the region becomes increasingly sharp, Australia intends to strengthen its efforts to be a leading partner for Southeast Asia, an approach that enjoys support across the political spectrum.¹⁰² The ASEAN-Australia Special Summit held in Sydney in March 2018 highlighted the growing importance of Australia's relationship with ASEAN countries. More recently, at the June 2019 Shangri-La Dialogue, Minister for Defence

⁹⁶ Australian Government, 2017, p. 4.

⁹⁷ The countries highlighted here are listed geographically in the white paper in the section on international defense relationships, following a discussion of the U.S.-Australia alliance. See Australian Government, 2016, pp. 120–135.

⁹⁸ Australian Government, 2016, p. 124.

⁹⁹ Interviews with Australian government officials and scholars, Canberra, January 2019.

¹⁰⁰ Australian Government, 2016, p. 59.

¹⁰¹ Malcolm Cook, *ASEAN–Australia Relations: The Suitable Status Quo*, Sydney: Lowy Institute, August 2018.

¹⁰² For example, Shadow Minister for Defence Richard Marles describes the countries of ASEAN as "fundamental to our future" and argues that Australia should "work with them and build relationships which make us allies in dealing with our shared strategic circumstances." See Richard Marles, "US and Australian Strategy in the Indo-Pacific," speech delivered at the United States Studies Center, University of Sydney, November 23, 2018.

Reynolds stated, “We want an Indo-Pacific that has ASEAN at its heart and is underpinned by the rule of law with the rights of all states being protected.”¹⁰³

Japan is another key country from Australia’s perspective, not least because of its efforts under Prime Minister Shinzō Abe to play a larger role in the region and beyond. Australia supports Japan’s efforts to strengthen its defense capabilities and to play a strategic role in the Indo-Pacific diplomatically and economically.¹⁰⁴ This support includes working with Japan bilaterally and in concert with other countries. For example, owing in part to shared concerns about the strategic implications of China’s BRI, Australia is partnering with Japan and the United States on a joint infrastructure investment program, the Trilateral Partnership for Infrastructure Investment in the Indo-Pacific, which was announced in July 2018.¹⁰⁵ The program is intended to “mobilize and support the deployment of private sector investment capital to deliver major new infrastructure projects, enhance digital connectivity and energy infrastructure, and achieve mutual development goals in the Indo-Pacific.”¹⁰⁶

Australia is also increasing its outreach to India, which Canberra views as “an increasingly important economic and security partner,” one with which Australia shares “key interests in regional stability and order.”¹⁰⁷ The outreach to India also reflects the extent to which the Indian Ocean has become a more important area of focus for Australia in recent years. However, Australia has faced some difficulties in reaching out to India, such as India’s reluctance to include Australia in the Malabar naval exercise it holds with the United States and Japan.¹⁰⁸

New Zealand is increasing its regional engagement as well. New Zealand’s approach to the region relies on deep and long-standing ties that it has cultivated over many decades. New Zealand’s strong focus on the region dates to 1973, when the UK joined the European Economic Community, causing an enormous shock in New Zealand because of the impact on its economic relationship with Britain. In response, New Zealand had to diversify and boost its regional relationships.

Today, facing an increasingly complex security situation, New Zealand relies not only on its strong ties with Australia but also on enhancing its links with ASEAN and Southeast Asia. For New Zealand, these connections center on its involvement with regional organizations, such as ASEAN, the ASEAN Regional Forum, the ASEAN Defence Ministers’ Meeting Plus (ADMM-

¹⁰³ Reynolds, 2019.

¹⁰⁴ Interviews with Australian government officials, Canberra, January 2019.

¹⁰⁵ Australian Government, Department of Foreign Affairs and Trade, “Australia, US and Japan Announce Trilateral Partnership for Infrastructure Development in the Indo-Pacific,” webpage, July 31, 2018c.

¹⁰⁶ White House, “Joint Statement of the Governments of the United States of America, Australia, and Japan,” November 17, 2018.

¹⁰⁷ Australian Government, 2016, p. 62.

¹⁰⁸ See, for example, Suhasini Haidar and Dinakar Peri, “Not Time Yet for Australia’s Inclusion in Malabar Naval Games,” *The Hindu*, January 22, 2019; and Asha Sundaramurthy, “India Keeps Australia Out of the Malabar Exercise—Again,” *The Diplomat*, May 8, 2018.

Plus), the Asia Pacific Economic Cooperation forum, the East Asia Summit, and the Asia-Europe Meeting. ASEAN “is a very important partner to New Zealand,” as reflected by the opening of New Zealand’s Mission to ASEAN in 2015 and the appointment of an ambassador to ASEAN located in Jakarta.¹⁰⁹ The ASEAN-Australia-New Zealand FTA signed in 2009 is important economically, and New Zealand is negotiating an upgrade to further boost trade in the region.¹¹⁰

More broadly, New Zealand also seeks to strengthen its bilateral relationships with Japan, Korea, Singapore, Indonesia, Vietnam, the Philippines, and Malaysia, among others. One especially prominent example is Singapore, which New Zealand views as a key partner for diplomatic, economic, and security reasons. In May 2019, Prime Minister Ardern announced the launch of the New Zealand–Singapore Enhanced Partnership, which includes an upgrade to the New Zealand–Singapore Free Trade Agreement and enhanced defense and cyber security cooperation, scientific research collaboration, and educational and cultural exchanges.¹¹¹

Australia Steps Up in the Pacific Islands

Closer to home, Australia is also intensifying its engagement in the Pacific Islands through an initiative known as the Pacific Step Up. Australia’s increased attention to the South Pacific has been motivated in large part by concerns about growing Chinese diplomatic, economic, and (potentially) security influence in the Pacific Islands. In particular, Australia is focused on precluding the possibility of China securing a military base in the region. At the 2019 Shangri-La Dialogue, Secretary of Foreign Affairs and Trade Frances Adamson stated that the Australian government has “made it clear that any foreign base in the region would not be welcome. We would strongly condemn and oppose that. It would have obvious negative impact on Australia’s strategic situation and the strategic situation of the region.”¹¹²

The fact that Australia is responding to these growing concerns about Chinese influence in the region by increasing its engagement in the Pacific Islands is only natural, considering the extent to which it has regarded the region as critical to its security interests. The Pacific Islands played a central role in U.S. and Australian strategy during World War II, which shaped Australia’s perceptions.¹¹³ Australia’s *2017 Foreign Policy White Paper* highlights plans for “a step-change” in Australia’s engagement with Pacific Island countries. It describes a new

¹⁰⁹ New Zealand Ministry of Foreign Affairs and Trade, undated b.

¹¹⁰ New Zealand Ministry of Foreign Affairs and Trade, “ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA),” webpage, undated a.

¹¹¹ New Zealand Government, “Prime Minister Launches New Zealand-Singapore Enhanced Partnership,” press release, May 17, 2019.

¹¹² Graeme Dobell, “South Pacific Security at Shangri-La,” *The Strategist*, Australian Strategic Policy Institute blog, June 5, 2019.

¹¹³ Greg Colton, *Stronger Together: Safeguarding Australia’s Security Interests Through Closer Pacific Ties*, Sydney: Lowy Institute, April 2018.

approach featuring “more ambitious engagement by Australia,” including increased economic assistance and greater security cooperation.¹¹⁴ Minister for Defence Reynolds has emphasized that “Australia is in it for the long haul” because of the importance of the region, which Australia views as “our immediate neighborhood” in regard to its security, economic, and diplomatic interests.¹¹⁵

In late 2018, Prime Minister Scott Morrison announced more details about Australia’s Pacific Step Up initiative, which he described as a whole-of-government approach to strengthening Australia’s engagement with the Pacific region. Pacific Step Up aims to boost “economic, people-to-people and security engagement in the Pacific,” enhancing Australia’s partnerships with countries throughout the region. The Department of Foreign Affairs and Trade created an Office of the Pacific overseen by a senior official, Ewan McDonald. The Australian Department of Defence established a Pacific Engagement Branch within its International Policy Division. And Australia’s Office of National Intelligence (ONI) created a branch on intelligence diplomacy tasked with coordination, integration, and evaluation. In addition, an Australian Pacific Security College was established in August 2019 to increase Australia’s academic connections in the region and to strengthen cooperative efforts in the areas of climate, human technology, and traditional security challenges.¹¹⁶ Although the Department of Foreign Affairs and Trade has the lead, all these departments closely coordinate on all Pacific Step Up activities.¹¹⁷

Defense-related components of Pacific Step Up are expected to include the establishment of a mobile training team to strengthen engagement with countries in the region, increased Australian Navy deployments in the Pacific, increased support for humanitarian assistance and disaster relief (HA/DR) activities, annual meetings of regional defense and police chiefs in Australia, and people-to-people exchanges and sporting events.¹¹⁸ Currently, the initiative is focusing on infrastructure (new builds and refurbishments), maritime security and surveillance, and “soft security” issues, such as institution-building (or good governance) and HA/DR and response.

Given Papua New Guinea’s proximity to Australia, it is a top priority for Australia’s increased engagement in the Pacific. Australia’s *2017 Foreign Policy White Paper* underscores the importance of Papua New Guinea to Australian interests, emphasizing that “[s]upporting a stable and prosperous Papua New Guinea is one of our most important foreign policy objectives.” Moreover, it states, “It is in our shared interest that Australia remains Papua New

¹¹⁴ Australian Government, 2017, p. 7.

¹¹⁵ Reynolds, 2019.

¹¹⁶ Australian National University, “New Security College to Focus on the Pacific,” November 13, 2019.

¹¹⁷ Interviews with government officials, Canberra, May 2019.

¹¹⁸ Pyne, 2019.

Guinea's principal security partner."¹¹⁹ In October 2018, Australia announced that it has agreed to pursue a major initiative involving the redevelopment of Lombrum Naval Base on Manus Island in Papua New Guinea, reflecting Australia's determination to ensure that it retains this status even as China aims to expand its regional influence.¹²⁰

Additionally, in the Pacific "inner islands" (the view from an Australian perspective), Australia will provide infrastructure upgrades and training to strengthen ties with Vanuatu. Australia will also partner with Fiji to redevelop Blackrock Camp as a regional hub for peacekeeping training. Prime Minister Morrison visited Fiji in January 2019, underscoring Australia's commitment to improving its relationship with Fiji through the expansion of economic, security, and people-to-people ties. In addition, Australia will provide funding for the construction of an undersea cable system to provide communications links to Papua New Guinea and the Solomon Islands.¹²¹ Another key element of Australia's regional outreach is the Pacific Maritime Security Program (PMSP), which provided patrol boats to 12 countries from 1987 to 1997 (under its former name: the Pacific Patrol Boat Program) to improve those countries' maritime surveillance and fisheries protection capabilities. The patrol boats provided under the program are due to be replaced as part of the PMSP. Under the program, Australia has committed to giving 21 patrol boats to countries in the region to replace the original patrol boats.¹²² The new *Guardian*-class patrol boats are scheduled to be delivered to the 12 Pacific Island countries and Timor-Leste between 2018 and 2023. The PMSP also includes an aerial surveillance component, which has generated additional requirements that the Australian Department of Defence is having trouble filling.¹²³ This presents an opportunity for the United States to collaborate with Australia, for example, by providing secure communications within the context of PMSP.

Australia's Pacific Step Up also includes enhancing its engagement with the Freely Associated States (FAS), which consist of Palau, the FSM, and the Republic of the Marshall Islands (RMI). The FAS are viewed as the United States' "patch" of the Pacific, so Australia's level of activity there traditionally has been lower than in the parts of the region that are closer to Australia.¹²⁴ Nonetheless, Australian analysts assess that their country has a role to play in the

¹¹⁹ Australian Government, 2017, p. 100.

¹²⁰ Pyne, 2019. According to Minister Pyne, "This will create a vital operating base for the Papua New Guinea Defence Force and the Royal Australian Navy. The development will significantly enhance our bilateral cooperation and help PNG [Papua New Guinea] protect its sovereignty, manage its borders and address a wide range of security challenges, including transnational crime and illegal fishing."

¹²¹ Australian Government, Department of Foreign Affairs and Trade, "The Coral Sea Cable System: Supporting the Future Digital Economies of Papua New Guinea and Solomon Islands," September 2018d.

¹²² Australian Government, Department of Defence, "Pacific Maritime Security Program," webpage, undated h.

¹²³ Interviews with Australian government officials, Canberra, May 2019.

¹²⁴ Australia's sole ambassador in the FAS is located in the FSM but is also accredited to the RMI and Palau and serves as consul general to Guam and the Commonwealth of the Northern Mariana Islands. Australia is, however, planning to open diplomatic posts in both Palau and the RMI by 2020.

area that they view as complementary to U.S. efforts to strengthen its ties with the FAS at a time when China appears determined to expand its influence in the region. Along these lines, Australia also provides some overseas development assistance to the FAS. The aid focuses on issues such as women's social and economic empowerment, improving the quality of basic education, improving access to clean water and sanitation, and improving access to reliable internet services. Additionally, in the security domain, Australia's PMSP includes all members of the FAS, highlighting its important role in regional security.

New Zealand Bolsters Its Position in the Pacific Islands

As part of New Zealand's efforts to increase its regional outreach, it is intensifying its engagement with the Pacific Islands. Like Australia, New Zealand is elevating the priority it accords to the Pacific Islands in part as a result of concerns over growing Chinese influence in the region.¹²⁵ The Ministry of Foreign Affairs and Trade's Pacific Reset policy paper states that New Zealand's ability to pursue its interests in the region is increasingly challenged by the "dizzying array of problems the region faces and an increasingly contested strategic environment which is eroding our influence."¹²⁶ Australia is still the Pacific's largest donor, and New Zealand is still its second-largest donor, but New Zealand recognizes it has to work harder to maintain its position. For New Zealand, the Pacific Reset policy is thus a major shift that focuses on "building deeper, more mature political partnerships with Pacific Island countries, and supporting their independence and sustainable social and economic resilience."¹²⁷

New Zealand's Foreign Minister Winston Peters outlined the Pacific Reset in a March 2018 speech at the Lowy Institute in Australia.¹²⁸ Peters did not mention China specifically, but he noted that the Pacific has become "an increasingly contested strategic space, no longer neglected by Great Power ambition, and so Pacific Island leaders have more options." He acknowledged that this situation is "creating a degree of strategic anxiety."¹²⁹ Similarly, in a late 2018 speech in Washington, Peters did not call out China by name but said that the Pacific Reset "reflects New Zealand's response to the increasingly contested strategic environment in the Pacific in which more external actors are competing for influence."¹³⁰

¹²⁵ Notably, New Zealand has special relationships with and obligations to Niue and Cook Islands, which are self-governing states in free association with New Zealand, and Tokelau, which is a territory of New Zealand.

¹²⁶ New Zealand Ministry of Foreign Affairs and Trade, *New Zealand in the Pacific*, Wellington, 2018.

¹²⁷ Peters, 2018b.

¹²⁸ Winston Peters, "Shifting the Dial," speech delivered at Lowy Institute, Sydney, March 1, 2018a.

¹²⁹ Peters, 2018a.

¹³⁰ Peters, 2018b.

New Zealand is well aware that Beijing rolls out the red carpet for Pacific leaders and that Beijing's deep pockets are potentially very attractive to many countries in the region.¹³¹ Chinese influence in the Pacific is clearly a real and growing concern for New Zealand, and it does not want to see a Chinese military presence in the Pacific. However, New Zealand judges that its approach should not be all about competition: Countries in the region want partners who will pay attention to their concerns and priorities, such as climate change. New Zealand's goal is for countries in the Pacific Islands to see New Zealand as the preferred partner.

New Zealand has laid out clear priorities for the Pacific Reset, which features two major lines of effort: renewed Pacific diplomacy and increased development spending. Priorities include addressing issues related to climate change, good governance and transparency, human rights, and women's political and economic empowerment. New Zealand is boosting its diplomatic presence by creating 14 diplomatic and development positions in the region (ten in the Pacific Islands plus one each in Tokyo, Beijing, Brussels, and New York to coordinate with international partners).¹³² In addition, New Zealand is trying to bolster its ties in the Northern Pacific, and its consul general in Honolulu is cross-accredited to Palau, Micronesia, and the Marshall Islands.¹³³

New Zealand has significantly increased development assistance programs in the Pacific, "with US\$500 million in new funding over four years."¹³⁴ Foreign Minister Peters announced additional funds to boost engagement outside of normal aid funding arrangements, with targeted areas to include cultural and sporting exchanges, people-to-people links, and defense cooperation activities.¹³⁵

The NZDF also operates a Mutual Assistance Program that provides training, technical, and other types of support to partners in the South Pacific (and Southeast Asia). The program provides technical advisers to several countries, including the Cook Islands and Papua New Guinea, with additional technical advisers soon to be posted to Fiji.¹³⁶

As it implements the Pacific Reset, New Zealand wants to work closely with Australia, the United States, and other partners. The goal is to coordinate more effectively, with each country

¹³¹ Peters, 2018a.

¹³² New Zealand Government, "Pacific Diplomatic Footprint," press release, December 4, 2018d.

¹³³ New Zealand Government, "NZ Boosts Representation in Northern Pacific," press release, February 27, 2014.

¹³⁴ Peters, 2018b.

¹³⁵ New Zealand Government, "Pacific Reset Picks Up Pace," press release, November 8, 2018c.

¹³⁶ The Mutual Assistance Program also intersects with Australia's PMSP: One of the technical advisers in the Cook Islands serves as a maritime surveillance adviser under the PMSP, an arrangement that also reflects closer cooperation between New Zealand and Australia more broadly. See NZDF, "Overseas Operations: Mutual Assistance Programme," webpage, undated f.

playing to its strengths in the region.¹³⁷ New Zealand is also willing to work with Beijing in areas where it perceives such cooperation as likely to be productive.¹³⁸

Politics and Public Opinion in Australia and New Zealand

In regard to the public opinion variable in the framework, public opinion in aggregate in Australia is slightly more favorable toward the United States than toward China. In contrast, New Zealand has relatively similar public views toward the United States and China. In this section, we describe the varied public views of the United States and China, including the views of various communities in Australia and New Zealand.

Australia has a parliamentary system in which the two major political players are the Liberal-National Coalition, an alliance of center-right political parties that has controlled the government since 2013, and the Australian Labor Party, which continues to serve as the opposition after the narrow reelection of the current government in May 2019. Although the two major parties have some differences on foreign policy, there is a fairly broad bipartisan consensus on the key issues related to Australia's increasing engagement in the Indo-Pacific and Australia's defense policy. Indeed, leading voices from the two parties are largely in agreement on the centrality of the U.S. alliance in Australian foreign policy, the importance of the rules-based order to Australia's economic and security interests, the challenges posed by China as the regional balance of power shifts, the urgency of Australia stepping up in the Pacific, the importance of expanding ties with other partners in the region, and the need to maintain an adequate level of defense spending and to strengthen Australia's defense industry.¹³⁹ Therefore, any change in government may lead to some adjustments in particular areas, but it is unlikely to bring about major changes in Australia's overall approach to key foreign policy and national defense issues.

New Zealand also has a parliamentary system. The major political parties are the New Zealand Labour Party, which has controlled the government since 2017 as part of a coalition with the Green party and the New Zealand First party, and the center-right New Zealand National Party, which led the government from 2008 to 2017. Many observers consider Labour

¹³⁷ According to Peters,

This calls for close cooperation with Pacific Island countries, Australia, the United States, and other partners with historic links in the region—countries such as Japan, the EU [European Union], UK and France—to uphold values that we share and want to promote in the region; values like democracy, good governance, greater women's participation, and above all the rules based systems on which the region relies (Peters, 2018b).

¹³⁸ According to Peters,

New Zealand also acknowledges new actors in the region, like China, and welcomes all partners in the Pacific on terms that take account of the Pacific's needs, where quality projects are sustainable and delivered transparently. We work with China in the Pacific and will continue to do so on those terms (Peters, 2018b).

¹³⁹ See, for example, Penny Wong, "Australian Values, Australia's Interests—Foreign Policy Under a Shorten Labor Government," Lowy Institute, May 1, 2019.

and New Zealand First to be in favor of a firmer approach to China, whereas they view the National party as more inclined to focus on constructive ties with China to avoid undermining the growing New Zealand–China trade relationship.

An important factor to consider when evaluating the impact of domestic politics in Australia and New Zealand on their approaches to foreign policy and national defense is that clear differences have emerged between the way China is viewed by much of the business community, some former senior officials, and academia versus how China is viewed by defense and security officials currently serving in the two countries' governments. Many members of the business community in Australia and New Zealand want to avoid confrontation that would disrupt their country's trade relationships with China. In Australia, some former senior officials have criticized the government for its handling of ties with China in recent years. For example, former Prime Minister Paul Keating recently called senior intelligence officials "nutters" and criticized them for having "gone berko" and adopting what he characterized as a misguided approach to dealing with China.¹⁴⁰ In addition, many members of the academic community in Australia tend to view China as a financial necessity for the higher education center because Chinese students constitute more than 38 percent of higher education students from overseas and about 10 percent of total higher education enrollment in Australia.¹⁴¹

Still another factor is that there are also important differences in views between state-level and federal government officials. There is some distance between Canberra and state governments at times, as reflected by the state of Victoria's secretive agreement with China on the BRI.¹⁴² The agreement seemed to be at odds with the federal government's generally more cautious approach, which reflects concerns about China using the initiative to gain leverage over countries in the region and to expand its strategic influence.¹⁴³

Public opinion must also be taken into account, given its potential to influence Australian politics and policy. Polling highlights America's enduring importance to Australia, but it also reflects growing concerns about U.S. reliability and predictability. Notably, recent polls indicate that Australians' confidence in the U.S. president has declined sharply in 2017–2018 compared

¹⁴⁰ David Wroe and Dana McCauley, "Sack 'Nutter' Spy Chiefs to Fix Relations with Beijing, Paul Keating Urges," *Sydney Morning Herald*, May 5, 2019.

¹⁴¹ See Hazel Ferguson and Henry Sherrell, "Overseas Students in Australian Higher Education: A Quick Guide," Parliamentary Library, Parliament of Australia, June 20, 2019. Because educational services for international students represent such a critical source of revenue for Australian universities, some observers have raised concerns that the large share of Chinese students could leave Australian educational institutions economically vulnerable in the event of a downturn in the Australia-China relationship. See Geoff Hiscock, "Down Under, Worries over International Students Are Academic," *U.S. News and World Report*, December 10, 2018.

¹⁴² Jack Kilbride, "What's in Victoria's Controversial One Belt One Road Agreement with China?" *Australian Broadcasting Corporation*, November 11, 2018.

¹⁴³ James Bowen, "Too Big to Ignore. Assessing the Strategic Implications of China's Belt and Road Initiative," Australian Strategic Policy Institute, August 30, 2018.

with polling from 2013 to 2016,¹⁴⁴ and many Australians believe the United States fails to take Australia's interests into account when making decisions.¹⁴⁵ According to the 2019 Lowy Institute Poll, about two-thirds of Australians agree that Trump has weakened the U.S.-Australia alliance.¹⁴⁶ However, Australian attitudes toward the United States have remained generally favorable overall,¹⁴⁷ and Australian support for the U.S.-Australia alliance has remained very strong over the past decade, according to public opinion polls.¹⁴⁸

Recent public opinion polls also reflect the growing complexity of Australia's relationship with China. Many Australians believe China has surpassed the United States to become the world's leading economic power.¹⁴⁹ Australian's attitudes toward China overall are split roughly evenly,¹⁵⁰ and there are increasing concerns about China's growing economic influence and military power.¹⁵¹ More than three-quarters of Australians agree that China's infrastructure investment projects in Asia are part of its plans to dominate the region.¹⁵² Moreover, most Australians prefer the United States as the leading world power rather than China.¹⁵³ Overall,

¹⁴⁴ For example, the Pew Research Center's Spring 2017 Global Attitudes Survey found that only 29 percent of Australians had confidence in the U.S. president, down from 84 percent in 2016. See Pew Research Center, Global Indicators Database, "Australia: Confidence in the U.S. President," updated August 2017a; and Richard Wike, Bruce Stokes, Jacob Poushter, Laura Silver, Janell Fetterolf, and Kat Devlin, "Faith in the U.S. President Remains Low," Pew Research Center, October 1, 2018b.

¹⁴⁵ Only 30 percent of Australians believe the United States takes Australia's interests into account "a great deal" or "a fair amount" when making international policy decisions, compared with 68 percent who say the United States considers Australia's interests "not too much" or "not at all" (Wike et al., 2018b).

¹⁴⁶ See Natasha Kassam, *Lowy Institute Poll 2019*, Sydney: Lowy Institute, June 2019.

¹⁴⁷ In 2017, 48 percent of Australians expressed a favorable opinion of the United States, down from 60 percent in 2016. See Pew Research Center, Global Indicators Database, "Australia: Opinion of the United States," updated August 2017b.

¹⁴⁸ According to the 2018 Lowy Institute Poll, 76 percent of Australians view Australia's alliance with the United States as "very important" or "fairly important" for Australia's security. See Alex Oliver, *Lowy Institute Poll 2018*, Sydney: Lowy Institute, June 2018. According to the 2019 Lowy Institute Poll, there was a four-point drop on this question, to 72 percent. See Kassam, 2019.

¹⁴⁹ According to the Pew Research Center's Spring 2017 Global Attitudes Survey, 58 percent of Australians view China as the world's leading economic power, up from 40 percent in 2008. The same survey found that 29 percent of Australians view the United States as the world's leading economic power, down from 37 percent in 2008. See Pew Research Center, Global Indicators Database, "Australia: World's Leading Economic Power," updated August 2017c.

¹⁵⁰ About 48 percent of respondents expressed favorable views of China, and about 47 percent expressed unfavorable views. See Richard Wike, Bruce Stokes, Jacob Poushter, Laura Silver, Janell Fetterolf, and Kat Devlin, "International Publics Divided on China," Pew Research Center, October 1, 2018c.

¹⁵¹ According to the 2018 Lowy Institute Poll, about 72 percent of Australians worry the government is allowing too much investment from China, up from 56 percent in 2014 (Oliver, 2018). Similarly, 68 percent of Australians in 2019 expressed concern that the government is allowing too much Chinese investment (Kassam, 2019).

¹⁵² Kassam, 2019.

¹⁵³ According to the Pew Research Center's Spring 2018 Global Attitudes Survey, 72 percent of Australians prefer the United States as the world leader, compared with only 14 percent who say having China as the world's leading power would be better for the world. See Richard Wike, Bruce Stokes, Jacob Poushter, Laura Silver, Janell Fetterolf,

most Australians still view China as more of an economic partner than a military threat, according to the 2018 Lowy Institute Poll.¹⁵⁴ However, the 2019 Lowy Institute Poll found that a majority of Australians would consider it a direct threat to Australia's interests if China opened a military base in the Pacific Islands.¹⁵⁵

Public opinion also reflects the challenges that a more competitive U.S.-China relationship presents and the uncertainty about what this relationship could mean for Australian interests in the future.¹⁵⁶ As U.S.-China competition intensifies, some observers are raising questions about whether Australia will eventually need to choose between the United States and China. However, public opinion polling indicates most Australians continue to believe they can avoid that choice.¹⁵⁷

There is less polling focused on attitudes toward the United States and China in New Zealand, but available data suggest that there is substantial skepticism toward both countries. Polling reflects a sharp decline in approval of the United States under the Trump administration.¹⁵⁸ China fares slightly better than the United States in recent polls, with more New Zealanders approving of Chinese leadership than U.S. leadership in 2017 and 2018. However, China is also on shaky ground in New Zealand, at least as far as public opinion is concerned. Although views of China have improved slightly in recent years, more New Zealanders disapprove rather than approve of the performance of Chinese leadership.¹⁵⁹

and Kat Devlin, "Most Prefer That U.S., Not China, Be the World's Leading Power," Pew Research Center, October 1, 2018d.

¹⁵⁴ Specifically, about 82 percent of Australians in 2018 characterized China as more of an economic partner than a military threat (Oliver, 2018).

¹⁵⁵ If China opened a military base in a Pacific Island country, 55 percent of Australians would see it as a direct threat to Australia's national security interests (Kassam, 2019).

¹⁵⁶ According to the Pew Research Center's Spring 2018 Global Attitudes Survey, 78 percent of Australians believe China plays a more important role in the world today than it did ten years ago. See Richard Wike, Bruce Stokes, Jacob Poushter, Laura Silver, Janell Fetterolf, and Kat Devlin, "China's Power Seen as Rising More Than Other Major Nations," Pew Research Center, October 1, 2018a.

¹⁵⁷ According to the 2018 Lowy Institute Poll, about 81 percent of Australians believe it is possible to maintain good relations with the United States and China at the same time, down from 87 percent in 2013 (Oliver, 2018).

¹⁵⁸ According to a 2018 Gallup poll, only 15 percent of people in New Zealand approved of U.S. leadership, whereas 71 percent disapproved of U.S. leadership. The 15 percent approval rating marked a record low and a decline of 36 points from 2016. See Gallup, *Rating World Leaders: 2018*, Washington, D.C., 2018.

¹⁵⁹ In 2018, 40 percent of New Zealanders disapproved of Chinese leadership, compared with 30 percent who approved. RJ Reinhart and Zacc Ritter, "U.S, China on Shaky Footing in Australia, New Zealand," Gallup, November 30, 2018.

3. Australia's and New Zealand's Economic Relationships

In this chapter, we look at how Australia's and New Zealand's economic relationships have changed, linking them more closely to China even as the regional security environment has evolved and the U.S.-China relationship has become more competitive.

China's Growing Importance as a Trade Partner and Export Destination

In regard to the economic threat perception, willingness to work with the United States and China, economic dependency, and economic opportunity variables in the framework, Australia and New Zealand have benefited economically from their growing trade relationships with China, which makes it important for them to maintain stable bilateral relationships with the PRC. Officials in Australia and New Zealand are well aware that growing trade ties with China could give Beijing coercive leverage, but they generally view China as more of an economic opportunity than a threat, and they are willing to work with China to further enhance their economic ties.

As the sixth-largest economy in Asia, Australia has diverse economic relations and ties with its neighbors, including a growing trade relationship with China. Australia also has close economic links to the United States,¹⁶⁰ as well as to several U.S. allies and partners in the region and beyond. Many Australian analysts are concerned that this web of economic ties will become more challenging to manage as a result of China's use of economic coercion in pursuit of its diplomatic and security objectives and as a result of such U.S. economic policies as withdrawal from the TPP and threats to impose tariffs against allies and partners.¹⁶¹

The China-Australia Free Trade Agreement entered into force in December 2015.¹⁶² Australia is also involved in negotiations to join the Regional Comprehensive Economic Partnership, which is expected to be concluded in late 2019 and is likely to include ten of Australia's top 15 trade partners.¹⁶³

¹⁶⁰ Amy King, "Economic Links Between Australia and the United States," in Peter J. Dean, Stephan Frühling, and Brendan Taylor, eds., *Australia's American Alliance*, Melbourne, Australia: Melbourne University Publishing, 2016.

¹⁶¹ On the increasingly complex relationship between economic and security issues and its implications, see, for example, Robert Ayson, *The Economics-Security Nexus Under Trump and Xi: Policy Implications for Asia-Pacific Countries*, Canberra: Australian National University, Strategic and Defense Studies Center, September 2017b.

¹⁶² Australian Government, Department of Foreign Affairs and Trade, "China-Australia Free Trade Agreement," webpage, undated c.

¹⁶³ Australian Government, Department of Foreign Affairs and Trade, "RCEP Resources," webpage, undated f.

In 2018, Australia's two-way trade with China accounted for about 28 percent of Australia's total trade in goods.¹⁶⁴ China is also Australia's largest export market.¹⁶⁵ Australia's top goods exports to China included iron ores and concentrates, coal, wool, and copper ores and concentrates.¹⁶⁶ In terms of services, Australia is a major destination for Chinese students, with education accounting for a large share of Australian trade in services with China. In addition, Australia is a founding member of the Asian Infrastructure Investment Bank, a multilateral bank that was founded by China in December 2015. Australia's state of Victoria has also signed a memorandum of understanding in support of China's BRI.¹⁶⁷

China has also become New Zealand's largest trade partner and top export destination over the past decade. Since the New Zealand–China FTA entered into force in 2008, New Zealand's two-way trade with China has almost tripled, and China narrowly surpassed Australia as New Zealand's largest trading partner in 2017.¹⁶⁸ New Zealand enjoys a substantial goods and services trade surplus with China, largely because of an increase in exports of dairy products. Other important goods exports to China include logs and wood. Spending by tourists and students from China in New Zealand also contributes to the trade surplus.¹⁶⁹

Even as Australia's trade ties and other economic links with China have grown, the United States and its allies and partners are still among the most important trade partners for Australia. In 2017, Japan was Australia's second-largest trade partner, the United States was third, and the ROK was fourth.¹⁷⁰ Likewise, New Zealand's second-largest trade partner in 2017 was Australia, followed by the European Union, the United States, Japan, Singapore, the ROK, Thailand, the United Arab Emirates, and Malaysia.

Australia's and New Zealand's strong trade links with U.S. allies and partners are also highlighted by their status as members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, also known as TPP-11), which entered into effect in December 2018 among the first six countries to ratify the agreement: Australia, Canada, Japan, Mexico, New Zealand, and Singapore. The other countries that will be part of the CPTPP are Brunei, Chile, Malaysia, Peru, and Vietnam. It is expected to expand Australia's trade

¹⁶⁴ For further details, see Australian Government, Department of Foreign Affairs and Trade, "Australia's Trade in Goods and Services by Top 15 Partners, 2016-17," webpage, undated a.

¹⁶⁵ Australian Government, Department of Foreign Affairs and Trade, undated a.

¹⁶⁶ Major Australian imports from China included telecommunications equipment and parts, computers, furniture, and toys, games, and sporting goods. For additional information, see Australian Government, Department of Foreign Affairs and Trade, "China," fact sheet, February 2019b.

¹⁶⁷ Kilbride, 2018.

¹⁶⁸ Statistics New Zealand, "New Zealand's Two-Way Trade with China More Than Triples over the Decade," March 1, 2018.

¹⁶⁹ Statistics New Zealand, 2018.

¹⁷⁰ For further details, see Australian Government, Department of Foreign Affairs and Trade, undated a.

opportunities with the member countries.¹⁷¹ The renamed agreement is moving forward without the United States, after President Trump announced the U.S. withdrawal from the TPP in January 2017. Australia also has trade agreements with ASEAN, New Zealand, Japan, Malaysia, Singapore, Thailand, and the ROK. In March 2019, Australia signed the Indonesia-Australia Comprehensive Economic Partnership Agreement, which is intended to facilitate increased bilateral trade and investment.¹⁷² In addition, Australia is negotiating a trade agreement with India.

The United States and Its Allies Are Leading Sources of Foreign Direct Investment

In regard to the economic threat perceptions, willingness to work with the United States and China, economic dependency, and economic opportunity variables in the framework, this section underscores the close economic relationships that Australia and New Zealand continue to maintain with the United States and many U.S. allies and partners, notwithstanding Australia's and New Zealand's growing economic ties with the PRC.

In contrast to China's importance as Australia's top export market, the United States is the largest investor in Australia. As of the end of 2017, U.S. investment accounted for 25 percent of foreign investment in Australia. The United States was followed by the UK, Belgium, and Japan.

China figures less prominently in terms of foreign investment in Australia. As of the end of 2017, China accounted for about 5 percent of foreign investment in Australia, but the level of Chinese investment in Australia has increased over the past decade.¹⁷³

There are also growing concerns about the national security implications of Chinese investment. Most notably, the Australian government in August 2018 banned the Chinese telecommunications companies Huawei and ZTE from supplying equipment for Australia's 5G network, citing national security concerns.¹⁷⁴ Beijing reacted angrily to the decision, but Australia maintains it was necessary to protect critical infrastructure and safeguard sensitive information.¹⁷⁵

¹⁷¹ Once fully implemented, the 11 countries covered under the agreement will account for about 13.5 percent of global gross domestic product.

¹⁷² Australian Government, Department of Foreign Affairs and Trade, "Indonesia-Australia Comprehensive Economic Partnership Agreement," webpage, undated d.

¹⁷³ Australian Government, Department of Foreign Affairs and Trade, "Statistics on Who Invests in Australia," webpage, updated May 2018a.

¹⁷⁴ The policy does not list any specific companies by name. Instead, it refers to those companies that "are likely to be subject to extrajudicial directions from a foreign government that conflicts with Australian law." In practical terms, however, this clearly covers Huawei and ZTE. See Australian Government, "Government Provides 5G Security Guidance to Australian Carriers," press release, August 23, 2018.

¹⁷⁵ Ellie Zolfagharifard, "Australia Bans China's Huawei and ZTE from Its 5G Network over Spy Fears," *Telegraph*, August 23, 2018.

Reviewing a combination of trade and FDI data shows that although China might be the single most important bilateral trade partner for Australia, China's overall economic importance should be viewed in the context of the combined trade and investment profile of the United States and its allies and partners. As a point of comparison, Chinese trade with Australia in 2018–2019 was considerably greater than Australia's combined trade with Japan, the United States, and the ROK, which were Australia's second-, third-, and fourth-largest trade partners, respectively.¹⁷⁶ When it comes to FDI, however, the numbers tell a different story. The level of U.S. FDI (stocks) in Australia was almost five times more than that of Chinese FDI at the end of December 2017, according to data from Australia's Department of Foreign Affairs and Trade.¹⁷⁷

China's Other Potential Economic Levers: Tourism and Students

In regard to the economic threat perceptions, willingness to work with the United States and China, economic dependency, and economic opportunity variables in the framework, this section highlights some other potential sources of Chinese economic leverage: specifically, the economic benefits associated with Chinese tourism and Chinese students.

For Australia in particular, another set of economic concerns that has emerged over the past decade centers on possible Chinese attempts to use economic leverage to coerce Australia in response to disputes over other issues. Chinese tourism is a potential source of leverage because more than 1.3 million Chinese visited Australia in 2018, accounting for more than 15 percent of the total inbound tourism market.¹⁷⁸

The large number of Chinese students in Australian universities is another potential source of such leverage because they constitute about one-third of the market for educational services for international students in Australia. In February 2018, China's Ministry of Education issued a safety warning to Chinese students in Australia.¹⁷⁹ Beijing indicated that the warning was issued because of safety concerns affecting Chinese students in Australia, but many observers interpreted it as a veiled threat of economic retaliation in response to then Prime Minister Malcolm Turnbull's statements about Chinese interference in Australian politics.

In a pattern similar to the trade data discussed above, although China may be able to exert key influence on tourism in Australia, U.S. allies and partners provide Australia with significant

¹⁷⁶ Australian Government, Department of Foreign Affairs and Trade, "Australia's Trade in Goods and Services by Top 15 Partners 2018-19," webpage, updated November 2019c.

¹⁷⁷ Australian Government, Department of Foreign Affairs and Trade, *Trade and Investment at a Glance 2019*, Canberra, 2019a.

¹⁷⁸ Jason Fang, "Chinese Tourism Boom Could Slow Down If Australia Becomes Complacent, Expert Warns," *Australian Broadcasting Corporation*, January 25, 2019; Australian Government, Tourism Australia, "International Tourism Snapshot as at 31 December 2018," December 2018.

¹⁷⁹ The warning followed a similar statement from the Chinese Embassy in Canberra in December 2017. See Jamie Smyth and Tom Hancock, "Chinese Students Warned over Australia Safety," *Financial Times*, February 14, 2018.

numbers of tourists. China's share of the market for educational services is less readily matched. It is possible that this relationship could change over time as China invests more in its own education system and as a growing number of international students from other countries, such as India and Indonesia, choose to study in Australia.¹⁸⁰ However, current trends reflect an increasing number of Chinese students coming to study in Australia, and even though India is second in supplying students, their numbers would need to more than triple to match the number of students coming from China.¹⁸¹

¹⁸⁰ Jordan Baker, "'A Knowledge Race': Australian Universities Set to Suffer Drop in Students from China," *Sydney Morning Herald*, March 1, 2019.

¹⁸¹ Australian Government, Department of Education and Training, "International Student Data Monthly Summary," December 2018.

4. Australia's and New Zealand's Defense Relationships

In this chapter, we look at how Australia and New Zealand have developed their defense relationships with the United States, China, and the region over the past decade in response to growing security challenges associated with China's rise and U.S.-China competition.

Strengthening the U.S.-Australia Alliance

In regard to the military and security variables in the framework, this section highlights how Australia aims to strengthen its alliance with the United States, which it views as a cornerstone of its foreign policy and defense strategy and a key pillar of regional security and stability more generally. Reflecting this widely held view of the value of the U.S.-Australia alliance, a 2018 Gallup poll showed that Australia in 2017 was among the countries that were most confident that the United States would defend their country (76 percent).¹⁸² However, there is an ongoing and recurring debate in Australia about military strategy and the need for a grand strategy that centers, in part, on the role and reliability of the United States. Some argue that Australia's foreign and defense policy should be more forward-projecting, whereas others advocate an approach that focuses on the defense of Australia's immediate vicinity. This not only has implications for engagement and alliances but also for force structure and procurement. For coalition operations, Australia is looking to the United States to express a clear view on where Australia should concentrate its defense efforts around the world, according to Australian officials.¹⁸³

Australia brings substantial military capabilities to the alliance. The Australian Defence Force (ADF), which is composed of the Royal Australian Navy, Australian Army, and RAAF, has about 58,000 personnel.¹⁸⁴ The RAAF's advanced air combat capabilities include the F-35A Lightning II, EA-18G Growler, F/A-18F Super Hornet, and F/A-18A/B Hornet.¹⁸⁵ RAAF air mobility capabilities include the CJ-17A Globemaster III, C-130J Hercules, and KC-30A Multi-Role Tanker Transport.¹⁸⁶ The RAAF also has advanced intelligence, surveillance, and reconnaissance capabilities, such as the P-8A Poseidon, E-7A Wedgetail, and MQ-4C Triton

¹⁸² Stafford Nichols and Zacc Ritter, "U.S. Defense Promise Still Credible in Asia-Pacific," Gallup, July 17, 2018.

¹⁸³ Interviews with Australian officials, Canberra, May 2019.

¹⁸⁴ Australia's defense establishment also includes a civilian workforce of more than 16,000 Australian Public Service employees. See Australian Government, Department of Defence, *Annual Report 18–19*, Canberra, 2019a.

¹⁸⁵ RAAF, "Air Combat," webpage, undated a.

¹⁸⁶ RAAF, "Air Mobility," webpage, undated c.

unmanned aircraft system.¹⁸⁷ The Royal Australian Navy consists of 45 ships, boats, and submarines, including *Collins*-class submarines, *Anzac*-class frigates, *Hobart*-class guided missile destroyers, and the *Canberra*-class landing helicopter dock; it is capable of operating throughout the Indo-Pacific region, including in the South China Sea and Indian Ocean.¹⁸⁸ The importance of the alliance is further underscored by close cooperation in areas such as Australia's participation in operations alongside the United States, intelligence cooperation, exchanges of personnel, training and exercises, interoperability, and arms purchases.

Closer Partnership in Operations

U.S. and Australian troops have fought together in every major conflict since World War I, including World War II, Korea, Vietnam, the Gulf War, Afghanistan, and Iraq. Australian troops are currently participating in operations in Afghanistan and the Middle East alongside U.S. forces.¹⁸⁹ Australia also has about 580 military personnel in the United States. Many are embedded with U.S. military units, where they work very closely with their U.S. counterparts on a wide variety of issues, including operational planning, intelligence, capability development, and professional military education.¹⁹⁰ Perhaps most notably, a senior Australian military officer serves as the Deputy Commander of the U.S. Army Pacific, and a second officer serves as the J5RA at U.S. Indo-Pacific Command (INDOPACOM).¹⁹¹ It is important to note, however, that even a very close operational partnership has limits. For instance, Minister for Defence Reynolds stated in August 2019 that Australia would not host a U.S. missile site now that the United States has withdrawn from the INF Treaty.¹⁹² Australia could be concerned that the damage to its relationship with China that could result from hosting U.S. missiles would likely outweigh any potential security gains.¹⁹³

¹⁸⁷ RAAF, "Intelligence, Surveillance and Reconnaissance," webpage, undated d.

¹⁸⁸ Royal Australian Navy, "Current Ships," webpage, undated.

¹⁸⁹ See Australian Government, Department of Defence, "Operation MANITOU," webpage, undated f; Australian Government, Department of Defence, "Operation Accordion," webpage, undated d; Australian Government, Department of Defence, "Operation OKRA," webpage, undated g; and Australian Government, Department of Defence, "Operation Highroad," webpage, undated e.

¹⁹⁰ Australian Embassy in the United States, "Australia-US Defence Relationship," webpage, undated.

¹⁹¹ Justin Silvers, "USARPAC Holds Ceremony Honoring Australian Generals," U.S. Army, January 5, 2019.

¹⁹² Trevor Marshallsea, "Australia Says It Won't Be Hosting US Missile Site," Associated Press, August 4, 2019.

¹⁹³ Another potential concern is that Beijing could exploit a U.S. request to station missiles in Australia to undermine public support for deployments of U.S. forces in Australia more generally or to attempt to drive a wedge between the United States and Australia politically. Still another concern is that such deployments could lead to complications in Australia's relationships with other countries in the region.

Further Enhancing Intelligence Cooperation

Australia is a member of the Five Eyes intelligence partnership, along with the United States, the UK, Canada, and New Zealand, a status that the Australian government notes “provides Australia with information superiority and intelligence cooperation that is a vital input into our defense planning.”¹⁹⁴ Perhaps the signature component of the intelligence relationship is the Joint Defense Facility Pine Gap (referred to as Pine Gap). According to the 2016 defense white paper, Pine Gap

makes a critical contribution to the security interests of Australia and the United States, delivering information on intelligence priorities such as terrorism, the proliferation of weapons of mass destruction, and military and weapons developments, while contributing to the verification of arms control and disarmament agreements.¹⁹⁵

Pine Gap was a source of controversy in Australian politics in the decades after its establishment during the Cold War, and it still attracts occasional protests, but it is supported by politicians of both parties, who view it as a key component of the intelligence partnership and alliance with the United States.¹⁹⁶ In addition, the United States and Australia entered into a space situational awareness partnership in 2010,¹⁹⁷ and space situational awareness is widely viewed as an area in which there are opportunities for closer cooperation with the United States as Australia seeks to develop its space capabilities. Notably, Australia and the United States in May 2019 completed a space surveillance telescope facility in Exmouth, Western Australia, which will provide space situational awareness through the tracking, classification, and identification of space objects, including satellites, space debris, and asteroids. The new facilities are designed for a space surveillance telescope that was relocated from the White Sands Missile Range in New Mexico. The project is scheduled to reach initial operating capability in 2021.¹⁹⁸

Building on Long-Standing Program of Training and Exercises

Combined exercises are another important aspect of U.S.-Australia defense cooperation, as illustrated by Talisman Sabre, a major U.S.-Australia exercise that is held every two years. In July 2019, it was conducted for the eighth time, focused on the planning and execution of Combined Task Force operations, and included both command post exercise and field training

¹⁹⁴ Australian Government, Department of Defence, 2016, p. 122.

¹⁹⁵ Australian Government, Department of Defence, 2016, p. 122.

¹⁹⁶ Kim Beazley, “Pine Gap at 50: The Paradox of a Joint Facility,” *The Strategist*, Australian Strategic Policy Institute blog, August 30, 2017.

¹⁹⁷ Australian Government, Department of Foreign Affairs and Trade, “Australia-United States Space Situational Awareness Partnership AUSMIN 2010,” webpage, undated b.

¹⁹⁸ Australian Government, Department of Defence, 2019a, p. 8.

exercise components.¹⁹⁹ The exercise, which involved 22 ships, more than 200 aircraft, and more than 34,000 personnel from U.S. and Australian armed forces (with significant participation from civilian organizations), was the largest to date and included contributions from the UK, Japan, and New Zealand. This exercise is not only an opportunity to improve combat readiness and interoperability but also a reflection of the enduring importance of the alliance relationship.²⁰⁰ Another example is RAAF participation in the USAF's Red Flag exercises in Nevada. In January–February 2019, the RAAF sent six F/A-18A Hornets, one E-7A Wedgetail, one AP-3C (Electronic Warfare) Orion, and about 370 personnel to participate in Red Flag 19-1 alongside U.S. and UK counterparts.²⁰¹

Force Posture Initiatives

Additionally, the USFPI in northern Australia is moving forward, marking an expansion of U.S. presence and related training activities. The USFPI, which consists of two components (the MRF-D and EAC), was announced by President Barack Obama and Prime Minister Julia Gillard in November 2011.²⁰² The USFPI was conceived of as an important component of the U.S. “pivot” or “rebalance” to Asia, and it emerged as part of a revamping of U.S. force posture in the region.²⁰³ Today, USFPI is intended to strengthen regional security and enhance interoperability between U.S. and Australian forces. Additionally, it represents part of an effort on the part of the United States “to pursue a more geographically distributed, operationally resilient and politically sustainable military presence” in the Indo-Pacific region.²⁰⁴ Australia values the arrangements, which it says will provide “new opportunities for combined training and improved interoperability between our armed forces” and “engagement with regional partners.” Australia also expects the agreement to “position both nations to better respond to crises in the region.”²⁰⁵

Under the MRF-D portion of the USFPI, Australia and the United States are working toward a goal of rotating about 2,500 personnel, plus equipment, through Australia by 2020. The first deployment took place in 2012. The rotational deployments reached the envisioned level of 2,500 U.S. marines in July 2019.²⁰⁶ The deployments have expanded not only in terms of the

¹⁹⁹ Australian Government, Department of Defence, “Exercise Talisman Sabre 2017,” webpage, undated b.

²⁰⁰ “Australia and US Complete Bilateral Exercise Talisman Sabre 2019,” *Army Technology*, July 29, 2019.

²⁰¹ RAAF, “Air Force Wraps Up Exercise Red Flag in the US,” webpage, undated b.

²⁰² White House, “Prime Minister Gillard and President Obama Announce Force Posture Initiatives,” press release, November 16, 2011.

²⁰³ Michèle Flournoy and Janine Davidson, “Obama’s New Global Posture: The Logic of U.S. Foreign Deployments,” *Foreign Affairs*, Vol. 91, No. 4, July/August 2012.

²⁰⁴ White House, 2011.

²⁰⁵ Australian Government, Department of Defence, “United States Force Posture Initiatives,” webpage, undated j.

²⁰⁶ Australian Government, Department of Defence, “Record U.S. Marine Contingent Stationed in Darwin,” press release, July 25, 2019b.

number of troops involved but also by incorporating MV-22 Osprey tilt-rotor aircraft, the High Mobility Artillery Rocket System, and other types of advanced equipment.²⁰⁷ Like other rotational deployments, the presence of U.S. marines in Australia offers training opportunities and serves to underscore the U.S. commitment to its allies and partners in the Indo-Pacific region.²⁰⁸

The EAC component of the USFPI is intended to expand U.S.-Australia air force cooperation, including more rotations of U.S. aircraft through northern Australia and increased combined training and exercises.²⁰⁹ In addition to expanding cooperation, the five lines of effort of EAC (which include advanced joint and combined warfighting effects, operational resiliency, integrated enabling capabilities, strategic logistics, and coordinated observer and participant programs) are designed to deliver tangible capability outcomes over the next ten to 15 years. For example, from November 29 to December 9, 2018, two USAF B-52s participated in combined training with their Australian counterparts at RAAF Base Darwin.²¹⁰ Similarly, in March–April 2018, USAF B-52 bombers flew from Andersen Air Force Base in Guam to RAAF Base Darwin to participate in training activities with Australian Army and RAAF units.²¹¹ USAF B-52 bombers previously participated in exercises in Darwin in 2012, 2014, and 2016. According to the Australian Department of Defence, “EAC training exercises are designed to increase the ability of Australian and U.S. air forces to operate together and to enhance security cooperation in the region.”²¹² Such EAC activities could also have the added benefit of strengthening deterrence of China by demonstrating the ability to conduct bomber operations out of Australia.

Enhancing Interoperability and Partnering on Capability Development

Enhancing interoperability with the United States is a key component of Australia’s defense strategy.²¹³ According to the 2016 defense white paper, “Interoperability allows our forces to integrate when they are working together on operations and enhances the effectiveness of our combined capabilities.” Looking ahead, Australia “will emphasize capabilities that allow us to operate more seamlessly with United States forces in maritime sub-surface and surface and air

²⁰⁷ See Australian Government, Department of Defence, 2019b; and Alison Bevege, “Hundreds of U.S. Marines Leave Australia After Troop Rotation,” Reuters, October 14, 2017.

²⁰⁸ “Darwinian Evolution: Why U.S. Marines Are Deployed to Australia’s Far North,” *The Economist*, February 6, 2018.

²⁰⁹ Australian Government, Department of Defence, 2016, p. 123.

²¹⁰ “PACAF Airmen, B-52s Arrive in Australia for Combined Training,” Pacific Air Forces, November 30, 2018.

²¹¹ Australian Government, Department of Defence, “USAF B-52 Bombers to Take Part in Training Activities with the ADF,” press release, Canberra, March 28, 2018a.

²¹² Australian Government, Department of Defence, 2018a.

²¹³ James Goldrick, “Interoperability,” in Peter J. Dean, Stephan Frühling, and Brendan Taylor, eds., *Australia’s American Alliance*, Melbourne, Australia: Melbourne University Publishing, 2016.

environments, as well as across the electro-magnetic spectrum.”²¹⁴ Australia is also an important partner for capability development and defense research.²¹⁵ The Technical Cooperation Program (TTCP), a long-standing collaborative undertaking between the United States, Australia, Canada, New Zealand, and the UK, functions as Australia’s “most important link into the defense laboratories” of its security partners.²¹⁶ TTCP “provides a forum for the sharing of ideas and the harmonization of programs,” enabling Australia and the other member nations “to extend their research and development (R&D) capabilities at minimal cost, to avoid duplication and to improve interoperability.”²¹⁷ Australia is also a major customer for U.S. arms. Notable recent purchases include F/A-18 multirole fighters, F-35 Joint Strike Fighters (making Australia the largest international buyer of F-35s), P-8 Poseidon maritime surveillance and patrol aircraft, and EA-18G Growler electronic attack aircraft.²¹⁸ Aside from the United States, Australia imports arms from several European countries, including Spain and France. Australia’s Department of Defence prefers to work with the United States to codevelop capabilities whenever possible and feasible. The Next Generation Jammer, P-8A, and F-35 are all examples of successful codevelopment.

Strengthening U.S.–New Zealand Security Ties

In regard to the military and security variables in the framework, we evaluate in this section New Zealand’s efforts to strengthen its security ties with the United States. Although the United States ended its alliance relationship with New Zealand after the latter refused to permit port visits by U.S. Navy ships, in line with New Zealand’s antinuclear stance in the 1980s, the U.S.–New Zealand security relationship has been restored to a remarkable degree in recent years. The warming of the relationship can be traced to the response to the September 11, 2001, terrorist attacks and to New Zealand’s contributions to the War in Afghanistan starting in 2001. Following these developments, U.S.–New Zealand security contacts started to pick up during the Bush administration. At the beginning of the Obama administration, the United States undertook a policy review aimed at removing the restrictions the United States had put in place after the falling out over the nuclear issue in the 1980s and at restoring U.S.–New Zealand defense

²¹⁴ Australian Government, Department of Defence, 2016, p. 122.

²¹⁵ Richard Brabin-Smith, “Capability Development and Defence Research,” in Peter J. Dean, Stephan Frühling, and Brendan Taylor, eds., *Australia’s American Alliance*, Melbourne, Australia: Melbourne University Publishing, 2016.

²¹⁶ Australian Government, Department of Defence, “The Technical Cooperation Program,” webpage, undated i. What is now TTCP began as a bilateral cooperation program between the U.S. and UK in the late 1950s. Canada joined soon after, and the arrangement was named the Tripartite Technical Cooperation Program (or TTCP). Australia and New Zealand joined in the 1960s. With the additional members, the name was changed to The Technical Cooperation Program, allowing the acronym TTCP to remain the same.

²¹⁷ Australian Government, Department of Defence, undated i.

²¹⁸ Australian Embassy in the United States, undated.

dialogues, exercises, visits, and exchanges. Since that time, two notable turning points were the 2010 Wellington Declaration, which reflected the renewal of the strategic partnership between the two countries, and the 2012 Washington Declaration, which set out a framework for U.S.–New Zealand defense dialogues and security cooperation.²¹⁹ In addition, New Zealand announced in 2014 that it was opening a consulate general in Honolulu, in part to enhance its cooperation with INDOPACOM.²²⁰ Public opinion polls also reflect the importance of New Zealand’s security ties with the United States. Notably, a 2018 Gallup poll showed that a majority of people in New Zealand in 2017 were confident that the United States would defend their country (55 percent).²²¹

This close defense and security relationship between the United States and New Zealand is reflected in several areas, including operations, intelligence, and purchases of equipment. New Zealand’s military capabilities are quite limited in comparison with Australia’s defense forces. The NZDF is composed of the Royal New Zealand Navy, New Zealand Army, and Royal New Zealand Air Force and has a total of about 12,000 regular and reserve force members.²²² New Zealand’s naval capabilities include a combat force composed of two *Anzac*-class frigates, as well as a support force, patrol force, and helicopters.²²³ The Royal New Zealand Air Force includes four operational squadrons (which operate maritime patrol aircraft, transport aircraft, and helicopters), along with several training and support units; the Royal New Zealand Air Force does not have any fighter aircraft.²²⁴ Although NZDF capabilities are relatively modest compared with those of the Australian Defense Force, NZDF personnel are currently engaged in operations alongside U.S. and allied forces in Afghanistan and the Middle East, and the NZDF is participating in the enforcement of United Nations (UN) sanctions against North Korea.²²⁵ New Zealand is also a Five Eyes intelligence partner of the United States, Australia, Canada, and the

²¹⁹ See U.S. Department of State, Office of the Spokesman, “Wellington Declaration on a New Strategic Partnership Between New Zealand and the United States,” November 4, 2010; and U.S. Department of Defense and New Zealand Ministry of Defence and New Zealand Defence Force, “Washington Declaration on Defense Cooperation Between the Department of Defense of the United States of America and the Ministry of Defence of New Zealand and the New Zealand Defence Force,” June 19, 2012.

²²⁰ New Zealand Government, 2014.

²²¹ Nichols and Ritter, 2018.

²²² New Zealand also employs about 3,000 civilian defense personnel. See NZDF, “Personnel Summary,” webpage, undated g.

²²³ See Royal New Zealand Navy, “Meet the Fleet,” webpage, undated.

²²⁴ See Royal New Zealand Air Force, “Who We Are,” webpage, undated.

²²⁵ See NZDF, “Overseas Operations: Middle East,” webpage, undated e; NZDF, “Overseas Operations: Afghanistan,” webpage, undated a; NZDF, “Overseas Operations: Bahrain,” webpage, undated d; and NZDF, “Overseas Operations: Arabian Sea,” webpage, undated c.

UK, reflecting a high level of intelligence cooperation. In addition, New Zealand is purchasing four P-8A maritime patrol aircraft from the United States.²²⁶

There have also been important symbolic developments in recent years. U.S. ship visits to New Zealand resumed in November 2016, when the guided-missile destroyer USS *Sampson* (DDG 102) arrived to mark the 75th anniversary of the Royal New Zealand Navy, a symbolically important sign of the restoration of a normal security cooperation relationship between New Zealand and the United States.²²⁷ The USS *Sampson* also participated in relief operations when an earthquake struck New Zealand ahead of the naval review.²²⁸

Additionally, the U.S.–New Zealand security partnership is becoming more prominent in at least two other areas that are potentially directly relevant to competition with China. The first is U.S.–New Zealand cooperation with respect to Antarctica. The United States relies on the Antarctic support base in Christchurch, New Zealand, and the U.S. Coast Guard icebreaker Polar Star has visited New Zealand three times in the past several years (the Polar Star visited Lyttelton in February 2017 and January 2018 and Wellington in February 2019).²²⁹ The second area of growing cooperation is space. In particular, Rocket Lab, a U.S. company with a New Zealand subsidiary, has recently conducted space launches for DARPA and the USAF from its launch facility on New Zealand’s Mahia Peninsula.²³⁰

Australia’s Defense Relations with China

In regard to the military and security variables in the framework, we evaluate Australia’s defense ties with China in this section. Australia has a limited defense relationship with China, especially in comparison with Australia’s alliance with the United States. Australia views defense exchanges with China as part of its overall approach to managing its complex relationship with Beijing. Australia and China hold an annual Defence Strategic Dialogue, and

²²⁶ New Zealand Government, “New Zealand to Buy Four P-8A Poseidon Maritime Patrol Aircraft,” press release, July 9, 2018b.

²²⁷ Royal New Zealand Navy, “Visiting Countries,” *Navy Today*, No. 205, November 2016, p. 9. The United States removed nonstrategic nuclear weapons from U.S. Navy surface ships after the end of the Cold War. This was an important factor in facilitating the resumption of U.S. Navy ship visits. If this practice changes in the future, it could presumably once again preclude U.S. Navy ship visits.

²²⁸ U.S. Embassy and Consulate in New Zealand, “USS Sampson—Kaikoura Earthquake Disaster Recovery Assistance,” webpage, November 17, 2016.

²²⁹ See U.S. Embassy and Consulate in New Zealand, “Enhancing U.S.–New Zealand Co-Operation in Antarctica,” February 15, 2019; and NZDF, “Overseas Operations: Antarctica,” webpage, undated b.

²³⁰ See Rocket Lab, “Rocket Lab Successfully Launched R3D2 Satellite for DARPA,” press release, Huntington Beach, Calif., March 28, 2019a; and Rocket Lab, “Rocket Lab Successfully Launches Three R&D Satellites to Orbit for the U.S. Air Force,” press release, Auckland, New Zealand, May 5, 2019b. Although Rocket Lab is a U.S. company (with its headquarters in Los Angeles) with a wholly owned New Zealand subsidiary, several of our interlocutors in the United States and New Zealand highlighted the launches from the Rocket Lab facility in New Zealand as reflective of improved security cooperation between New Zealand and the United States in recent years.

they conduct other working-level exchanges and strategic policy discussions. Australia, China, and the United States held Exercise Kowari, a trilateral survival training exercise, for the first time in the Northern Territory of Australia in October 2014. The exercise was held again in 2015, 2016, 2017, and fall 2018. The two countries have also held some bilateral exercises. For example, Australia and China have conducted an annual exercise called Panda-Kangaroo since 2015. It was most recently held in and around Sydney in September 2018 and included activities such as climbing and kayaking, reflecting its status as a relatively modest means of confidence-building between the two countries' militaries. China also sent a PLA Navy guided-missile frigate to participate in Exercise Kakadu, an Australian-hosted multinational maritime exercise, for the first time in September 2018. China was among 27 countries participating in the exercise.²³¹ Australia and China also conduct regular naval port visits as part of their military-to-military relationship.²³² In addition, Australia and China cooperated in the search for the missing Malaysia Airlines flight MH370 in the Southern Indian Ocean.

Australia aims to expand its defense relationship with China, largely as a means of bolstering its broader efforts to maintain a stable bilateral relationship. The *2017 Foreign Policy White Paper* notes “a long-standing and productive program of defense cooperation with China,” which it says Australia is “committed to expanding.”²³³ However, Australia recognizes the constraints that stem from important differences on a variety of regional and global issues.²³⁴ Australia also seeks to better understand the PLA through engagements. In addition, it views exchanges with the PLA as messaging opportunities.

New Zealand's Defense Ties with China

In regard to the military and security variables in the framework, we evaluate New Zealand's defense ties with China in this section. New Zealand's defense cooperation with China is limited, in part because of concerns about avoiding any types of engagement that could result in capability enhancements for the PLA. Nonetheless, New Zealand has attempted to build and sustain its defense ties with China. In 2015, New Zealand's defense minister highlighted the development of a Five-Year Engagement Plan for defense engagement with China, the first

²³¹ Emily Smith, “Australia's Largest Maritime Exercise Underway with China Participating for First Time,” *Australian Broadcasting Corporation*, August 31, 2018.

²³² Although the port visits are normally a routine part of the Australia-China military-to-military relationship, a June 2019 PLA Navy port visit to Sydney sparked controversy because it overlapped with the 30th anniversary of the 1989 Tiananmen crackdown. See Michael McGowan, “Three Chinese Warships Arrive in Sydney Harbour for Four-Day Stopover,” *The Guardian*, June 2, 2019.

²³³ Australian Government, 2017, p. 40.

²³⁴ According to the 2016 defense white paper, Australia “will seek to deepen and broaden our important defense relationship with China while recognizing that our strategic interests may differ in relation to some regional and global security issues.” See Australian Government, Department of Defence, 2016, p. 44.

between the PLA and a Western military.²³⁵ Senior-level exchanges and HA/DR cooperation are among the areas of focus for New Zealand–China defense cooperation. More broadly, New Zealand’s defense relationship with China is intended to serve as a forum for discussion of difficult issues and to provide some ballast for the broader bilateral relationship. New Zealand also views the defense relationship as a means of increasing its understanding of the PLA in addition to supporting the broader diplomatic relationship. It has featured some examples of practical cooperation in recent years. Notably, New Zealand and China have cooperated in holding the Tropic Twilight series of exercises in the Pacific for the past three years. As part of Tropic Twilight 2018, engineers from the NZDF and the PLA helped build several health facilities in Vanuatu.²³⁶ New Zealand has been cautious about such engagements with the PLA because of concerns about strengthening the PLA’s capabilities, but New Zealand views these engagements as a valuable means of maintaining stable ties with China and building relationships with Chinese military counterparts.

Enhancing Australia’s Indo-Pacific Defense and Security Ties

In regard to the military and security variables in the framework, we evaluate Australia’s regional defense relationships, which serve as important components of Australia’s broader effort to strengthen its ties with other countries in the region, in this section. Australia’s primary focus is on the Pacific following the launch of Pacific Step Up in 2018, although Australia also pursues a steady stream of international engagement activities with New Zealand, Japan, India, Indonesia, Vietnam, South Korea, Singapore, Malaysia, the Philippines, and others. Australia is pursuing this enhanced cooperation through both bilateral defense engagements and multilateral security arrangements.²³⁷

For developing countries, a single funding source—the Defence Cooperation Program—provides the lion’s share of resources to support Australia’s international engagement activities. Australia’s Department of Defence has increased its number of defense attaches and advisers (maritime, air) in the region, including in countries where there is no military present (e.g., Vanuatu). In addition, education and training for international partners has increased by approximately 20 percent since 2016, and Australia’s program includes both military and civilian officials. Several “good governance” (what the United States calls “institutional capacity-building”) short courses are now on offer, many of which have been requested by the partners directly, including human resources management; auditing, financial management, and contracting; emergency and crisis management; cyber awareness; and women, peace, and

²³⁵ Gerry Brownlee, “New Zealand and Security in the Asia-Pacific Century,” speech delivered at PLA National Defense University, Beijing, September 29, 2015.

²³⁶ “Soldiers from NZ, China Help Build Facilities in Vanuatu,” *Radio New Zealand*, May 31, 2018.

²³⁷ Australian Government, Department of Defence, 2016, pp. 120–121.

security. Moreover, the Department of Defence is sending more military training teams than ever before into the Pacific and elsewhere and is increasing its number of instructors at military and peacekeeping training academies in the region as a way to facilitate dialogue and build relationships.²³⁸ The RAAF and the Australian Army maintain 14 annual staff talks globally, including in select countries in the region. The majority of exercises in the region, including bilateral and multinational exercises, are now joint.

Implementing the Pacific Step Up

Although all new offices have the remit to focus broadly on the Pacific, an important focus is on the Pacific Islands of Papua New Guinea, Fiji, and Vanuatu, in which China has been heavily investing and in which Australia sees its immediate sphere of influence. Australia has invested AUD\$2 billion in infrastructure and maritime security. The Defence International Engagement Plan under the Defence Cooperation Program is funded at AUD\$300 million per year, with an additional AUD\$1.6 million per year for training of partner countries.

A few new projects are underway as well. In late 2018, the establishment of a Pacific Fusion Centre was announced to strengthen the ability of Pacific governments to enforce their laws and protect their sovereignty. The new center will provide strategic analysis of information to strengthen maritime domain awareness, will provide security alerts and advice to the Pacific security agencies, and will complement the existing PMSP, which is providing 21 *Guardian*-class patrol boats and an aerial surveillance package to countries in the Pacific.

Further, Australia is helping Fiji complete the UN-accredited Peacekeeping Training Centre in Nadi, which began in 2009 and is expected to be completed in 2020. A memorandum of understanding was signed in April 2019. The aim of the memorandum is to “transform Blackrock into a regional hub for police and peacekeeping training and pre-deployment preparation” at a cost of AUD\$100 million. In a joint statement, officials from Fiji and Australia said the redevelopment of Blackrock would enhance Fiji’s capacity for global peacekeeping operations and its ability to respond to natural disasters in the region. Blackrock will also be used to increase interoperability between the countries’ security forces.²³⁹ According to Australian Department of Defence officials, Australia beat out China’s bid to finish construction on the Peacekeeping Training Centre.²⁴⁰

The Australia Pacific Security College was established in 2019 and built within the Australian National University in Canberra. The college will provide senior-level training, support strategic policy development, strengthen the networks among senior Pacific security

²³⁸ Interviews with Australian government officials, Canberra, May 2019.

²³⁹ “Fiji and Australia Sign Deal over Blackrock,” *Radio New Zealand*, April 17, 2019.

²⁴⁰ Interviews with Australian officials, Canberra, May 2019.

officials, and focus on holding training and other events in the Pacific Islands with partnering universities.²⁴¹

Australia is also learning to be more overt with its investments and to advertise locally—just like China does—and is even adding defense attachés to countries that do not have militaries (like Vanuatu) and other advisory positions to increase its influence and access (like Manas Island). It is noteworthy that of the Pacific islands, only Papua New Guinea, Fiji, and Tonga have militaries. And of the three, only Papua New Guinea has an air force. According to one official, there is a plan to increase the ADF presence in Papua New Guinea to 80 on a permanent, rotational basis.²⁴²

A key focus of Pacific Step Up, as explained by numerous officials in Canberra, is to improve coordination with the United States in the region. Officials noted that Australia and the United States are often not speaking with one voice. Moreover, the Australian Defence Force is stretched thin for Pacific Step Up. According to one official, while there is more money, more demand, more pressure, there is also limited ADF manpower. This potentially opens the door a bit wider to collaboration in the region with the United States. It may also create opportunities for cooperation with other countries, notably France. For example, in late August 2019, personnel from France’s New Caledonian Armed Forces participated alongside Australian Army soldiers and U.S. Marines in Exercise Koolendong in the Northern Territory.²⁴³ More broadly, during a 2018 visit to Australia by French President Emmanuel Macron, France and Australia agreed to strengthen Indo-Pacific cooperation, including working together to build regional security capacity, coordinate HA/DR operations, and deal with environmental issues and climate change in the Pacific.²⁴⁴

Although the RAAF is looking to increase its presence and wider defense engagement activities in the Pacific, the Australian Army and Royal Australian Navy have had a stronger presence to date. The Australian Army’s 7th and 3rd Brigades from the 1st Division are aligned with Papua New Guinea and Fiji/Tonga, respectively, which creates habitual relationships and opportunities to deepen that partnership. Navy has been directly involved in the Pacific Maritime Security Program for the last decade. In 2019, Joint Task Force–637 (which was set up in 2011 in response to the flooding in Queensland) was tasked to deliver effects in the Pacific, including

²⁴¹ “Australia Announces New Pacific Security Center,” *Maritime Executive*, September 5, 2018; discussions with Australian National University key staff, July 2019.

²⁴² Interviews with Australian government officials, Canberra, May 2019.

²⁴³ Australian Government, Department of Defence, “Australia and US Forces Complete Exercise Koolendong in the Northern Territory,” press release, September 2, 2019c.

²⁴⁴ Australian Government, Department of Foreign Affairs and Trade, “Vision Statement on the Australia-France Relationship,” May 2, 2108b.

operations and training. The RAAF has sent four airmen to support this effort. It is unclear at the time of writing what role airpower will assume in the Pacific going forward.²⁴⁵

Strengthening Security Ties with New Zealand

New Zealand and Australia are ANZUS allies with a close defense and security partnership. Their defense relationship includes regular strategic dialogues at the ministerial level and between other senior officials, personnel exchanges, and bilateral exercises. They are also close partners in terms of strategic planning and intelligence cooperation through Five Eyes. Australia aims to further strengthen its defense cooperation with New Zealand to help address regional and global security challenges. For example, the two countries aim to work together more closely to coordinate their increased engagement with countries in the South Pacific.²⁴⁶

Working with Japan on Defense and Security Issues

Australia's 2016 defense white paper characterizes Japan as an "important contributor to regional and global security" and states that Australia "welcomes the prospect of Japan playing a larger role in international security and will continue to deepen and broaden our growing security cooperation with Japan."²⁴⁷ In recent years, the Joint Declaration on Security Cooperation that Australia and Japan signed in 2007 has been supplemented by agreements on cooperation in defense science and technology, information-sharing, and logistics support. Although Australia selected France to provide its new submarines, Canberra is expanding cooperation with Tokyo in areas such as training and exercises, personnel exchanges, and maritime security. Notably, the RAAF and Japan Air Self-Defense Force held their first joint air combat exercise, Bushido Guardian 2019, in Japan in September–October 2019.²⁴⁸ Australia and Japan also conduct defense dialogues, including a Defense and Foreign Affairs 2+2 dialogue held at the ministerial level and other dialogues between senior officials. Japan is also an observer to the RAAF-USAF EAC program. In addition, Australia and Japan signed an acquisition and cross-servicing agreement in January 2017 to further enhance defense cooperation.²⁴⁹

Enhancing Security Cooperation with India

Australia's relationship with India has expanded since the two countries signed the Framework for Security Cooperation in November 2014, and Canberra aims to further strengthen

²⁴⁵ Interviews with Australian government officials, Canberra, May 2019.

²⁴⁶ Australian Government, Department of Defence, 2016, pp. 124–125.

²⁴⁷ Australian Government, Department of Defence, 2016, p. 61.

²⁴⁸ Australian Government, Department of Defence, "Royal Australian Air Force Conducts First Bilateral Air Combat Exercise with Japan," press release, September 6, 2019d.

²⁴⁹ Australian Government, Department of Defence, "Signing of the Australia-Japan Acquisition and Cross-Servicing Agreement," press release, January 14, 2017.

its security and defense engagement with India.²⁵⁰ Australia views India as an emerging strategic partner, and strengthening Australia’s engagement with India is a key priority.²⁵¹ In line with the Framework for Security Cooperation, Australia aims to pursue a regular program of strategic dialogue, training, and exercises with India. In 2015, the two countries conducted their first major bilateral maritime exercise, AUSINDEX 15. In 2017, the second exercise in the series, AUSINDEX 17, was held off the coast of Australia. In April 2019, Australia and India conducted AUSINDEX 19, which was their largest ever bilateral naval exercise and focused on antisubmarine warfare. The exercise served as a key component of Australia’s Indo-Pacific Endeavour 2019 deployment (described in more detail below).²⁵²

Strengthening Defense Ties with Partners in Southeast Asia

Australia is also working to strengthen its defense ties with Indonesia, Malaysia, Singapore, and other countries in Southeast Asia. Figure 4.1 highlights Australia’s priorities for security cooperation initiatives in Southeast Asia, which has emerged as an important area of emphasis for Australia’s regional outreach.

Figure 4.1. Priority Partners for Australia in Southeast Asia

Top	Indonesia, Malaysia, Singapore
Middle	Philippines, Thailand, Vietnam
Low	Brunei, Burma, Cambodia, Laos

Australia regards strengthening its defense ties with Indonesia in particular as a high priority in the context of its regional outreach.²⁵³ Australia’s defense relationship with Indonesia is based on a framework that includes the 2006 Lombok Treaty, 2012 Defense Cooperation Arrangement, and 2014 Joint Understanding on intelligence cooperation. The Australia-Indonesia defense relationship includes strategic dialogues, including combined Defense and Foreign Affairs 2+2 talks, the Chief of the Defense Force–led High-Level Committee, and the Indonesia-Australia Defense Strategic Dialogue. In addition, the two countries hold service talks and training and

²⁵⁰ Australian Government, Department of Defence, “Putting India at the Heart of Our Indo-Pacific Endeavours,” press release, December 19, 2018c.

²⁵¹ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019.

²⁵² Australian High Commission New Delhi, “Australia’s Largest Defence Force Deployment in India to Further Deepen Defence and Strategic Relationship,” press release, March 28, 2019.

²⁵³ Evan A. Laksmiana, *Reinforcing Indonesia–Australia Defence Relations: The Case for Maritime Recalibration*, Sydney: Lowy Institute, October 2018.

exercises involving their navies, armies, and air forces.²⁵⁴ Australia-Indonesia defense cooperation covers a wide variety of topics, including counterterrorism, maritime security, HA/DR, intelligence exchanges, and peacekeeping operations. An important part of this approach is improving ties in areas related to maritime security. Priorities for maritime security cooperation include enhancing maritime domain awareness, strengthening maritime border protection, and improving information-sharing.²⁵⁵ In addition, Australia and Indonesia have a training and professional military education partnership that includes staff college exchanges and English language courses.²⁵⁶

Singapore and Malaysia are also important security partners for Australia, both bilaterally and in the context of the Five Power Defence Arrangements (FPDA), which includes Australia, Malaysia, New Zealand, Singapore, and the UK.

Australia and Singapore have a Comprehensive Strategic Partnership, signed in June 2015, which includes expanding bilateral defense cooperation in areas including personnel exchanges, training, intelligence-sharing, cybersecurity, science and technology cooperation, and codevelopment of training areas.²⁵⁷ The Australia-Singapore Military Training Initiative will see the delivery of enhanced military training areas in Central and North Queensland that will benefit the ADF, provide significant local economic opportunities, and enhance the Australian Department of Defence's bilateral relationship with Singapore.²⁵⁸ Singapore is also an observer to the RAAF-USAF EAC program. According to Australian Department of Defence officials, every pilot in the Singaporean Air Force was trained in Australia.²⁵⁹

Australia and Malaysia have a Joint Declaration of Strategic Partnership, signed in November 2015, and engage in dialogues, training, and educational exchange. Australia also maintains access to Royal Malaysian Air Force Base Butterworth, an arrangement which supports efforts "to maintain security and stability in maritime Southeast Asia."²⁶⁰ In June 2018, Australia announced plans to invest in upgrading Royal Malaysian Air Force Base Butterworth

²⁵⁴ Australian Government, Department of Defence, 2016, p. 125.

²⁵⁵ See Government of Australia and Government of the Republic of Indonesia, "Joint Declaration on Maritime Cooperation Between the Government of Australia and the Government of the Republic of Indonesia," Sydney, February 26, 2017; and Government of Australia and Government of the Republic of Indonesia, "Plan of Action for the Implementation of Joint Declaration on Maritime Cooperation Between the Government of Australia and the Government of the Republic of Indonesia," Sydney, March 16, 2018.

²⁵⁶ Australian Government, Department of Defence, 2016, p. 125.

²⁵⁷ Australian Government, Department of Defence, 2016, p. 130.

²⁵⁸ Australian Government, Department of Defence, "Australia-Singapore Military Training Initiative," webpage, undated a.

²⁵⁹ Interviews with Australian government officials, Canberra, May 2019.

²⁶⁰ Australian Government, Department of Defence, 2016, p. 131.

to ensure it “remains fit for purpose well into the future.”²⁶¹ Australia’s defense engagement program in Malaysia involves sending instructors (currently two) to the Malaysian Defense College and mobile training teams to support Malaysia’s two CASA aircraft and is focused on education and training, urban warfare, jungle warfare, and safety training at Butterworth.²⁶²

Australia also aims to strengthen bilateral defense cooperation with Thailand, Vietnam, and the Philippines. Australia’s efforts to strengthen defense cooperation with Thailand include areas such as peacekeeping, countering improvised explosive devices, counterterrorism, maritime security, logistics, and legal and English language training. Australia’s emerging defense cooperation relationship with Vietnam includes peacekeeping, strategic dialogues, maritime security, professional military education exchanges, and airlift.

Australia’s defense cooperation with the Philippines is more expansive and includes counterterrorism, maritime security, legal training, and capacity assistance. Through the Enhanced Defence Cooperation Program, Australia and the Philippines focus on counterterrorism in the south of the Philippines, and Australia provides both special operations forces and conventional force mobile training teams to conduct training in urban warfare. An annual exercise with MRF-D is held with both Japan and the Philippines in Townsville, Queensland. The Royal Australian Navy also conducts combined patrols with the Philippines Navy using Japanese-provided ships. The ADF also sends two instructors to the Philippines Defence Staff College. Approximately 150 Filipino officials are trained in Australia annually under the Defence Cooperation Program. (Appendix B highlights some key details of Australian defense cooperation with select countries in the Indo-Pacific region.)

Increasing Involvement in Multilateral Security Arrangements and Groupings

As for multilateral security arrangements, Australia is a participant in the ADMM-Plus and the ASEAN Regional Forum. Australia also has long-standing partnerships with Singapore and Malaysia via its participation in the FPDA. The FPDA, which has been in existence since 1971, also includes New Zealand and the UK and is Australia’s longest-running regional security mechanism. In addition, Australia’s presence at Royal Malaysian Air Force Base Butterworth reflects its commitment to participation in the FPDA.

Australia has also stepped up its involvement in other regional groupings that go beyond traditional bilateral defense ties. In particular, Australia has prioritized trilateral Australia-U.S.-Japan cooperation. According to Australia’s Department of Foreign Affairs and Trade, “the Australia-Japan-United States Trilateral Strategic Dialogue is a key security policy mechanism for Japan, Australia and the United States.”²⁶³ In addition, Australia is a participant in the

²⁶¹ Australian Government, Department of Defence, “Australia to Invest in RMAF Base Butterworth,” press release, June 25, 2018b.

²⁶² Interviews with Australian government officials, Canberra, March and May 2019.

²⁶³ Australian Government, Department of Foreign Affairs and Trade, “Japan Country Brief,” webpage, undated c.

Quadrilateral Security Dialogue along with the United States, India, and Japan. The Quad in particular has been a subject of considerable attention among Australian scholars and analysts over the past few years. According to one observer, “The Quad is neither a proto-alliance nor an instrument for containing China.”²⁶⁴ However, it “provides a useful and timely opportunity for Australia to work together with like-minded states to meet common challenges.”²⁶⁵ According to another observer, another advantage of the Quad lies in “its potential value in strategically tethering a more unpredictable, self-focused United States.”²⁶⁶

Another important component of Australia’s expanding regional outreach and security cooperation with partners throughout the region is the Indo-Pacific Endeavour exercise series, initiated in 2017. Indo-Pacific Endeavour 2017 focused mainly on Southeast Asia and included engagements with Brunei, Cambodia, the FSM, India, Indonesia, Japan, Malaysia, the Philippines, the ROK, Singapore, Thailand, and Timor-Leste. The second exercise in the series, Indo-Pacific Endeavour 2018, focused on the Southwest Pacific, with stops in Fiji, Vanuatu, Tonga, Samoa, the Solomon Islands, and Papua New Guinea.²⁶⁷ The most recent exercises in the series, Indo-Pacific Endeavour 2019, began in March 2019 with a port visit to Sri Lanka. Indo-Pacific Endeavour 2019 focused on the Indian Ocean “in recognition of the Indian Ocean region’s rapid economic transformations and increasing strategic competition.”²⁶⁸ The Joint Task Force for Indo-Pacific Endeavour 2019 was composed of four Royal Australian Navy vessels, including a landing helicopter dock, as well as Australian Army and RAAF assets and personnel.²⁶⁹ As part of Indo-Pacific Endeavour 2019, Australia and India participated in the AUSINDEX bilateral naval exercise and Australian forces took part in the ADMM-Plus maritime exercise and the FPDA exercise Bersama Shield. In addition, the schedule for Indo-Pacific Endeavour 2019 included port visits to Indonesia, Malaysia, Thailand, Vietnam, and Singapore.²⁷⁰ In all, the Indo-Pacific Endeavour deployments highlight Australia’s determination to increase its outreach to and expand its defense ties with new and traditional partners in Southeast Asia, the Pacific Islands, and the Indian Ocean region.

²⁶⁴ Ian Hall, “Meeting the Challenge: The Case for the Quad,” in Euan Graham, Chengxin Pan, Ian Hall, Rikki Kersten, Benjamin Zala, and Sarah Percy, *Debating the Quad*, Canberra: Australian National University, Strategic and Defense Studies Center, March 2018, p. 12.

²⁶⁵ Hall, 2018, p. 12.

²⁶⁶ Euan Graham, “The Quad Deserves Its Second Chance,” in Euan Graham, Chengxin Pan, Ian Hall, Rikki Kersten, Benjamin Zala, and Sarah Percy, *Debating the Quad*, Canberra: Australian National University, Strategic and Defense Studies Center, March 2018, p. 4.

²⁶⁷ Australian Government, Department of Defence, “Indo-Pacific Endeavour 2018,” webpage, undated c.

²⁶⁸ Pyne, 2019.

²⁶⁹ Ankit Panda, “Royal Australian Navy Task Group Arrives in Sri Lanka for Indo-Pacific Endeavour 2019 Exercises,” *The Diplomat*, March 18, 2019.

²⁷⁰ Panda, 2019.

New Zealand Is Building Regional Defense Ties

In regard to the military and security variables in the framework, we evaluate in this section how New Zealand aims to strengthen its defense ties in the Asia-Pacific region. Maintaining strategic access is important to New Zealand, and its approach relies on fostering strong relationships with regional partners. ADMM-Plus is a key forum for New Zealand. New Zealand views its participation in ADMM-Plus as an important means of advancing its interests in maintaining the rules-based order and strengthening regional security cooperation.²⁷¹ New Zealand also attaches considerable importance to the FPDA, which includes Malaysia and Singapore. The FPDA is an important mechanism for New Zealand, and one of the FPDA's strengths is that it cannot easily be construed as "containment" because it does not involve the United States.

New Zealand aims to work more closely with key countries in a bilateral context in some cases. Indeed, New Zealand is showing interest in developing new partnerships and enhancing defense and security cooperation with several countries, including Japan, Korea, Singapore, Vietnam, and Indonesia. For example, New Zealand recently announced plans for enhanced defense cooperation and a new cybersecurity arrangement with Singapore.²⁷²

²⁷¹ David Capie, "New Zealand's Interests in the ADMM-Plus: Multilateralism, Practical Cooperation, and a Rules-Based Regional Order," *Asia Policy*, No. 22, July 2016.

²⁷² New Zealand Government, 2019.

5. Assessment and Outlook

In this chapter, we present our assessment of the key factors when looking ahead five to ten years in the areas of regional position and partnerships; diplomatic, economic, and defense relations; and domestic factors.

Outlook for Regional Position and Partnerships Appears Strong

In this section, we assess the outlook for regional position and partnerships over the next five to ten years. Australia and New Zealand are determined to work with the United States and other countries to support a rules-based order in the region and globally and to work together with like-minded partners to balance China more effectively as needed. For Australia and New Zealand, concerns about China and uncertainty about the United States are two important drivers of their increased regional engagement. As they have become increasingly concerned about China's growing economic and military power and about the reliability and predictability of the United States, they have made the calculation that U.S. allies and partners can deal with the challenges China's rise presents partly by working with each other to bolster the rules-based order in the region. This cooperation is seen as a means of trying to help the United States preserve that order in the face of the challenges China presents. Some observers are skeptical about how much this expanded intraregional security cooperation will do to deter China, but others view it as likely to have at least some influence on Chinese behavior in the region. Another key driver is uncertainty about the willingness and the ability of the United States to devote adequate resources and attention to balancing against China over the long term. Given the position that Australia occupies in the "hub-and-spoke" system of U.S. alliances in Asia, and given Australia's concerns about the reliability of the hub, it makes sense for Australia to strengthen ties with the other spokes.²⁷³ A similar logic applies to New Zealand, even though it is a U.S. security partner rather than a treaty ally. Consequently, Australia and New Zealand can be expected to continue to increase their efforts to strengthen relationships with India, Japan, Indonesia, the ROK, and other key countries in the region.

Australia and New Zealand can also be expected to continue ramping up engagement in the Pacific, including with regard to infrastructure, people-to-people exchanges, and security cooperation. Australia and New Zealand are pleased the United States is showing interest in and paying attention to the Pacific. Australia and New Zealand will continue to be concerned about China's growing influence in the Pacific, and they can be expected to be particularly wary of any

²⁷³ Interviews with Australian scholars, Sydney, January 2019.

potential indications of Chinese interest in establishing a naval base in the region.²⁷⁴ However, both countries are also likely to remain cautious about U.S. involvement that appears to be too focused on military activities or that creates the impression that such involvement is all about competition with China, as opposed to working together with countries in the region to address the challenges they face and to help them with what they need. As several interviewees put it, if the initiatives in the Pacific are going to be successful, it is essential that increased engagement should be seen as being about the needs and responsibilities of Pacific countries, not just about the role those countries might play in a strategic competition with China.²⁷⁵

Outlook for Diplomatic Relations Appears Strong Overall

Over the next five to ten years, intensifying U.S.-China competition will be viewed as a challenge to Australia's ability to simultaneously maintain a strong U.S. alliance and a constructive relationship with China, though it is a challenge that many believe Australia can manage successfully, at least for now. Similarly, New Zealand is likely to face growing concerns about the implications of U.S.-China competition and will likely try to maintain close ties with the United States and constructive relations with China simultaneously.

Looking ahead, Australia can be expected to continue to try to strengthen its alliance with the United States and to enhance its relationships with other allies and partners. New Zealand will also very likely try to strengthen its ties with the United States and with like-minded partners as it seeks to bolster the rules-based order in the region. However, Australia and New Zealand can also be expected to try to take advantage of the economic opportunities China presents and to continue to be concerned about the significant economic leverage China wields. Accordingly, both countries can be expected to continue to try to maintain stable relationships with China, an important consideration for policymakers in Canberra and Wellington given China's importance to their economies and its growing power and influence in the region and beyond. These developments suggest Australia and New Zealand will likely be reluctant to take actions that risk seriously undermining their relationships with China and leaving themselves exposed to Chinese economic pressure or other forms of retaliation. In addition, analysts in Australia and New Zealand assess that the manner in which key countries in the region respond to U.S.-China competition hinges in part on prospects for engagement with China. They argue that some positive engagement helps allies feel like they do not need to choose between the two countries

²⁷⁴ For example, there was considerable concern when a Chinese company attempted to lease the island of Tulagi from local authorities in the Solomon Islands, but the central government of the Solomon Islands ultimately rejected the proposed deal. See Agence France-Presse, "Solomons' Government Vetoes Chinese Attempt to Lease an Island," *The Guardian*, October 25, 2019; and Ben Blanchard, "China Downplays Solomon Island Lease Debacle, Tells U.S. to Stay Out," Reuters, October 29, 2019.

²⁷⁵ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019.

with the most power and influence in the region.²⁷⁶ The Australian government's March 2019 announcement of the establishment of a National Foundation for Australia-China Relations is indicative of how it is likely to continue to seek ways to bolster its efforts to engage with China over the next five to ten years.²⁷⁷

Australia and New Zealand recognize that China will inevitably become a more powerful and more influential country, and they will continue to try to strengthen engagement with China, but China's behavior as it rises is likely to further intensify concerns about how it will act in the future when its power and influence are even greater. According to several interviewees, no one in Australia accepts a China-centric regional security order, which they believe would seriously undermine Australia's interests.²⁷⁸ Many analysts in New Zealand hold similar views. The United States will remain central to Australian foreign policy, and it will continue to be widely seen as Australia's indispensable ally. New Zealand is also very likely to continue to regard its defense and security relationship with the United States as very important to its interests. Indeed, both countries will very likely continue to view U.S. diplomatic, economic, and security engagement as critical to balancing China and undergirding the rules-based order in the region and globally.

Outlook for Domestic Factors Presents a Mixed Picture

Over the next five to ten years, domestic political factors will continue to play a role in foreign policy and defense policy debates in Australia and New Zealand, as they do in the United States and other democratic countries. A change in the ruling party is unlikely to have much of an effect on key elements of Australia's approach, especially as it relates to dealing with China, strengthening the alliance with the United States, increasing outreach to other regional partners, and increasing Australian engagement in the Pacific Islands. A change in government in New Zealand could make a greater difference, given the divergences between the major parties on how best to handle relations with China.

In the wake of recent controversies over Chinese political interference, Beijing's reported interest in establishing a military base in the Pacific, and Chinese use of economic leverage to advance its interests, there is a growing sense that a China-dominated region would have very negative implications for the interests and values of Australia and New Zealand.²⁷⁹ However, public opinion in both countries will probably continue to reflect mixed views on China. Factors such as mass detentions of Uighurs in Xinjiang and other human rights abuses in China could

²⁷⁶ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019; and interviews with New Zealand government officials and scholars, Wellington, May 2019.

²⁷⁷ Jason Scott, "Australia Looks to Repair China Relationship After Huawei Spat," *Bloomberg*, March 28, 2019.

²⁷⁸ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019.

²⁷⁹ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019; and interviews with New Zealand government officials and scholars, Wellington, May 2019.

result in more-negative views of China, but many people in both countries will probably continue to see China as more of an economic opportunity than a security threat.

Many officials and analysts in Australia and New Zealand are growing increasingly concerned about Australia's and New Zealand's potential exposure to Chinese coercion, and these concerns are likely to deepen over the next five to ten years. China has attempted to exploit the openness of Australia's and New Zealand's democratic political systems to increase its influence. In Australia, legislation aimed at curtailing foreign interference and restricting foreign campaign contributions is likely to make it more difficult for China to pursue this approach in the future. New Zealand has yet to adopt similar legislation, but it might very well do so in the future. Nonetheless, China still has potential influence in the form of its economic relationships with Australia and New Zealand, which it may be able to use in a variety of ways, such as by threatening to reduce its imports, preventing Chinese students from enrolling in universities, dissuading Chinese tour groups and individual tourists from traveling to Australia or New Zealand, negotiating directly with state-level officials in Australia, or attempting to exploit divergences in the views of the business community and the defense and national security agencies in both countries.

As for domestic politics and the U.S.-Australia relationship, the United States remains Australia's essential ally, a view that is reflected not only by a strong bipartisan consensus among politicians and policymakers but also by public opinion polling. In New Zealand, the United States is an important security partner, and a closer defense relationship with the United States over the past decade or so has not been particularly controversial, notwithstanding the antinuclear policy and tradition of an independent foreign policy. However, there are growing questions in both countries about the sustainability of U.S. willingness and ability to continue to play its traditional leadership role. Notwithstanding some encouraging signs of bipartisan commitment to the region, such as the December 2018 Asia Reassurance Initiative Act, there are still worries that U.S. promises and rhetoric will not be backed up by the commitment of resources, according to interviewees.²⁸⁰

The concerns that some political leaders and analysts are expressing about the reliability and staying power of the United States are also reflected by public opinion polls. The outlook could improve if officials and the public view the United States as becoming more keenly focused on the region and more consistent in its approach. Conversely, the outlook could deteriorate if the United States is seen as increasingly focused elsewhere, unpredictable, unreliable, or unable to successfully manage the challenges presented by China's growing power and influence in the region and beyond.

²⁸⁰ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019.

Outlook for Economic Relations Reflects Growing Chinese Influence

Over the next five to ten years, China will very likely remain Australia's largest trade partner and the largest destination for Australian exports. This growing economic relationship creates opportunities for Australia, but it has also given rise to concerns about whether economic dependence on China might give Beijing leverage it can use to exercise influence over Australia.²⁸¹ This situation is unlikely to undergo major changes, given the importance of Australian exports to China and the lack of alternative destinations for similar levels of exports of raw materials. New Zealand will probably continue to be in a similar position, in that its reliance on China as an export market will increase concerns about its potential vulnerability to Chinese economic coercion.

Yet even as the economic relationships between Australia and China and New Zealand and China can be expected to continue to grow, their economic ties to the United States and U.S. allies and partners are also likely to remain very important. The United States will likely remain the largest investor in Australia, and Australia's top trade partners after China will continue to include Japan, the United States, and the ROK. New Zealand, too, will very likely continue to benefit from close economic ties with the United States and other allies and partners. The economic importance of the United States and its allies and partners is thus also unlikely to change over the next five to ten years. Consequently, even if the two countries' trade relationships with China might create growing concerns about exposure to Chinese leverage, it would be a mistake to overlook their very strong economic ties to the United States and its allies and partners. Should the United States decide to rejoin CPTPP, it would very likely improve our overall assessment of economic relations over the next five to ten years.

Outlook for Defense Relationships Appears Very Strong

Over the next five to ten years, the importance of the U.S. alliance with Australia is difficult to overstate, and Australia's desire to further strengthen the alliance is underscored by long-standing and close cooperation in areas such as operations, intelligence cooperation, personnel exchanges, training and exercises, and arms purchases from the United States. Australia can also be expected to continue to expand on its efforts to strengthen its defense ties with the United States. According to the *2017 Foreign Policy White Paper*, "To support our objectives in the region, the Government will broaden and deepen our alliance cooperation, including through the United States FPI."²⁸² The United States thus should be able to count on continued access and

²⁸¹ As an example of the concerns about China's economic leverage over Australia, some observers believe that China caused the Australian dollar to tumble more than 1 percent solely because of rumors that Australian coal would be banned at China's Dalian port. See Saumya Vaishampayan and Rob Taylor, "Australian Dollar Drops on Report of a Chinese Port's Coal Ban," *Wall Street Journal*, February 21, 2019.

²⁸² Australian Government, 2017, p. 4.

close defense cooperation with Australia over the next five to ten years. Defense cooperation with New Zealand is also likely to grow closer, though it will be limited by the smaller size and capabilities of the NZDF.

Notwithstanding closer security ties, the United States would be in uncharted territory with its allies and partners in the event of a major regional conflict with China. Although Australia remains focused on strengthening its U.S. alliance, the United States should not assume it can count on the Australian government to fully support the United States by committing ADF forces and key Australian capabilities to a major regional conflict involving China. Australia might be somewhat more likely to become involved in the South China Sea, because it would probably view developments there as having direct implications for its interests in freedom of the seas and the future of the regional security order and might view such a conflict as less likely to escalate than one over Taiwan. Australian views on a conflict in the East China Sea could fall somewhere between a conflict in the South China Sea and a conflict over Taiwan, though we have color coded it the same as the South China Sea in our analysis because we judge it likely there would be some willingness to support the United States and Japan. In the Taiwan scenario in particular, however, Australia's participation could be very uncertain, not least because of the potential for the conflict to escalate to the nuclear level. Publications by Australian defense analysts indicate that they are divided about whether it would be in Australia's interests to become directly engaged in a war over Taiwan, reflecting the uncertainties and risks that would be involved in a cross-Taiwan Strait conflict scenario.²⁸³

In any of these scenarios, Australia could support the United States in several ways, but the United States should not assume that Australia would automatically provide any type of support that the United States requests. For example, it is possible that Australia might refrain from becoming directly involved with its forces but that it would nevertheless permit the U.S. military to conduct operations out of Darwin. In any case, it would be very difficult to predict Australia's response in advance because the decision would likely involve several variables, such as judgments about the reasons for the conflict; how the conflict is likely to play out, including the outcome and the escalation risks; the potential damage to Australia's alliance with the United States; and what the regional security order would look like after the conflict, including any potential changes in the U.S. and Chinese positions. As for New Zealand, it clearly views upgrading its security cooperation relationship with the United States as in its interests, but it is no longer a U.S. ally, and the United States should not assume that New Zealand would be willing to become involved in a regional conflict with China.

Defense engagement between Australia and China and New Zealand and China, in contrast with their ties with the United States, is limited and will likely remain so for the foreseeable

²⁸³ For conflicting views by two highly respected Australian analysts, see Paul Dibb, "Australia and the Taiwan Contingency," *The Strategist*, Australian Strategic Policy Institute blog, February 6, 2019; and Hugh White, "The US Shouldn't Go to War with China over Taiwan—and nor Should Australia," *The Strategist*, Australian Strategic Policy Institute blog, February 13, 2019.

future. According to Australian experts, defense engagement remains relevant in spite of tension in the Australia-China relationship, but it is likely to be constrained and complicated by concerns about avoiding activities that might help China improve its power projection capabilities, as well as by friction over issues such as Chinese political interference, China's detention of Canadian citizens and an Australian citizen, and China's island-building and militarization in the South China Sea. New Zealand will very likely face similar constraints in its defense relationship with China. It is thus unlikely that either country would engage in much-closer security cooperation, such as major arms purchases or participation in large-scale bilateral exercises, with China over the next five to ten years.

Expanding outreach to other countries in the Indo-Pacific region is a key component of Australia's international defense relationships. Indeed, Australia is undertaking new initiatives with several U.S. allies and partners and other key countries in the Indo-Pacific region. These initiatives include strengthening defense relations and security cooperation to promote shared interests, and they are likely to continue to grow as Australia seeks to bolster the regional security order in the face of challenges posed by China's growing power and influence. For its part, New Zealand is also likely to continue to expand its regional relationships.

Australia's *2020 Defence Strategic Update* and *2020 Force Structure Plan*, released on July 1, 2020, reflect the assessment that the key drivers identified in the *2016 Defence White Paper* have accelerated faster than expected.²⁸⁴ The documents indicate that Australia faces an environment in which U.S.-China strategic competition is intensifying, gray zone activities are on the rise, and the long-term implications of the coronavirus disease 2019 (COVID-19) pandemic remain unclear. Facing these challenges, Australia plans to increase defense spending and strengthen its ability to deter or respond to a variety of potential threats to its interests. Highlighted technology investments include unmanned systems, space and cyber capabilities, long-range antiship missiles, and high-speed missile systems to provide Australia with enhanced deterrence options.

The COVID-19 pandemic has brought many security cooperation activities to a halt (e.g., Australia's Indo-Pacific Endeavour activity for 2020) or has at least resulted in scaled-back activities (e.g., Rim of the Pacific and, possibly, Talisman Sabre 2021).²⁸⁵ Australia, along with New Zealand, has refocused its Defence Cooperation Program on its COVID-19 response and is working with partners to identify capability gaps.²⁸⁶ The pandemic provides Australia and New Zealand with an opportunity to rethink how to engage with each other and with regional partner countries in a more coordinated way. It might be time to launch combined, collaborative virtual

²⁸⁴ Scott Morrison, "Address – Launch of the 2020 Defence Strategic Update," Canberra: Prime Minister of Australia, July 1, 2020; Australian Government, Department of Defence, *2020 Defence Strategic Update*, Canberra, 2020a; Australian Government, Department of Defence, *2020 Force Structure Plan*, Canberra, 2020b.

²⁸⁵ Discussions with Australian Department of Defence officials, May 2020.

²⁸⁶ Australian Government, Department of Defence, "Australia and New Zealand Enhance Defence Cooperation in the Fight Against COVID-19," press release, May 9, 2020c.

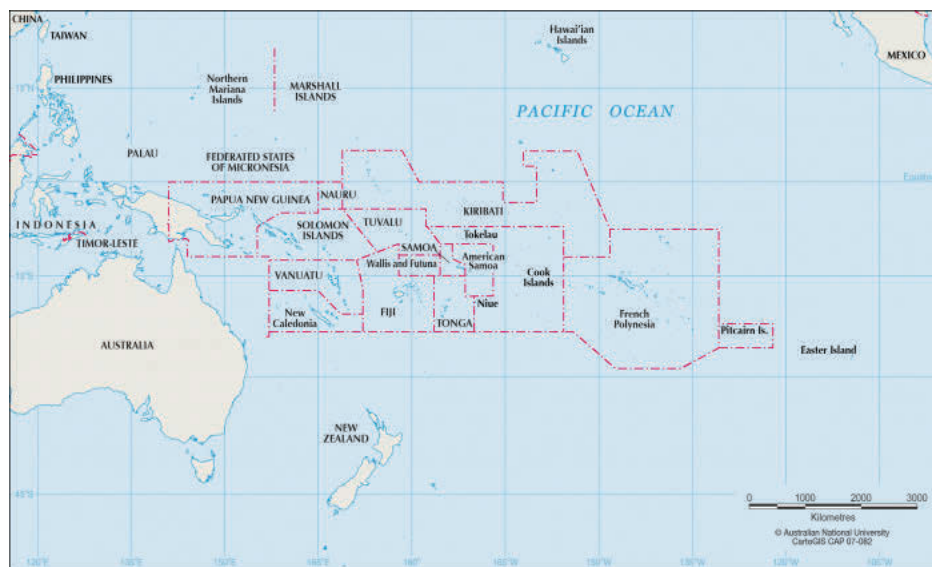
initiatives in the region. These initiatives could include strategically focused seminars, lectures, tabletop exercises, and crisis simulation activities that address health, governance, and security concerns.

6. Options for the United States, U.S. Department of Defense, and U.S. Air Force

At a time of growing U.S.-China competition, the U.S.-Australia alliance and the U.S. partnership with New Zealand play vital roles in U.S. defense strategy in the Indo-Pacific region. Australia is squarely focused on the Pacific *gray zone*, which essentially refers to competing with China in a peacetime but contested environment. Moreover, the determination of Australia and New Zealand to help bolster and maintain a rules-based order in the region more generally underscores the two countries' importance in the broader context of U.S. policy and strategy in the Indo-Pacific, as reflected by the emphasis on the rules-based order that has carried over from the Obama administration's "pivot" or "rebalance" to Asia to the Trump administration's "free and open Indo-Pacific" strategy.

There is an ongoing dialogue between the United States, Australia, and New Zealand regarding division of labor in and around the Pacific, with the United States taking the lead in Micronesia, Australia leading in Melanesia, and New Zealand leading in Polynesia (Figure 6.1). Each nation would support the others with complementary activities and resources.

Figure 6.1. Islands of the Pacific



SOURCE: Australian National University, College of Asia and the Pacific, "Islands of the Pacific," webpage, updated February 13, 2020a (CC BY-SA 4.0).

Australia's desire to further strengthen its alliance with the United States, New Zealand's desire to enhance its security partnership with the United States, and the stepped-up engagement

both countries are pursuing in the region create opportunities for the United States and, specifically, for DoD and the USAF to work with Australia and New Zealand and with regional partners in new and innovative ways, both operationally and, in particular, using soft-power tools and approaches, several of which would be relatively straightforward to implement. To take advantage of these opportunities, we present the following options for the United States, DoD, and the USAF to consider.

Options for the United States

The U.S. government should consider the following options with respect to strengthening defense and security cooperation with Australia in the Indo-Pacific region:

- *The United States and Australia should invest in efforts to better understand each other's bilateral engagement program on training, equipment, infrastructure, and institutional capacity-building and to strengthen mechanisms to coordinate and deconflict, where appropriate.* The government of Australia is seeking to understand the U.S. security cooperation approach in the region and is looking to strengthen the existing framework that INDOPACOM currently manages to allow both countries to work together to achieve mutual objectives in the most effective and most efficient ways. A *combined planning effort* in a few key countries, such as Indonesia and Malaysia (two high-priority countries for both the United States and Australia), would be one way to test the concept and strengthen the connections between the planning communities. The United States should also strive to educate key Australian government officials on U.S. security cooperation rules and authorities, which are far more complicated and more restrictive with far more stakeholders than Australia's International Engagement approach. This kind of cross-talk dialogue will help both countries come to agreement on key projects they want to pursue together.
- *The United States should work closely with Australia and New Zealand trilaterally and encourage them to take a leading role in the Pacific (specifically, in Melanesia and Polynesia).* The United States should support ongoing efforts by Australia and New Zealand to strengthen their diplomatic, economic, and security engagement with Pacific Islands countries and enhance coordination with Australia and New Zealand on Pacific Islands issues. Australia and New Zealand are posturing to lead in Melanesia and Polynesia, and they are well-positioned to do so, with their existing partnerships and cultural connections going back many decades. The United States should encourage these arrangements and offer support (financial and manpower, in particular) when asked and if at all possible. Sometimes, the United States can best support its goals in the Pacific by encouraging Australia and New Zealand to take the lead. The United States should also consider requesting support from Australia and New Zealand for U.S. initiatives with the FAS, where they could support the United States by further increasing their engagement with Palau, the FSM, and the RMI.
- *Continue to encourage Australia's growing cooperation and engagement with other U.S. allies, such as Japan and the ROK, and emerging partners, such as India and Indonesia.* The United States should encourage Australia to continue expanding and deepening its regional relationships. The United States and Australia should explore opportunities with

Japan to develop shared objectives and priorities, particularly in working with other countries. Steps should be taken to expand awareness of each other's engagement activities in the region and, where possible and appropriate, coordinate and deconflict their regional outreach and cooperation initiatives, particularly with respect to emerging partners. Doing so would help ensure that the United States and, in particular, Australia will be able to focus on key objectives and maximize the effectiveness of this growing web of activities.

- *Seek opportunities to work with Australia and New Zealand to counter Chinese political interference and influence operations.* The United States, Australia, and New Zealand could exchange information with and offer additional assistance to each other and to other targets of Chinese influence operations in the region and beyond, such as Taiwan. Expanding cooperation in this area could consist of enhanced information-sharing, as well as increased intelligence, cybersecurity, and law enforcement exchanges with each other and with other partners in the region and more globally.

Options for the U.S. Department of Defense and the U.S. Air Force

DoD and the USAF should consider the following options to deepen their relationship with Australia and New Zealand:

- *Further enhance cooperation in space, cyber, and electronic warfare.* The growing challenges presented by China's development of increasingly sophisticated space and counterspace, cyber, and electronic warfare capabilities will make this an important area for enhanced cooperation between the United States and key allies and partners. Indeed, space, cyber, and electronic warfare are areas ripe for increasing cooperation with Australia. Officials and analysts in Australia perceive space as increasingly important, judging that "Australia's economic and security interests in space will grow with the expansion of space-based and space-enabled capabilities."²⁸⁷ The United States can further enhance cooperation with Australia in areas including information-sharing and space situational awareness (as reflected by the completion of the new space surveillance telescope facilities in Western Australia in May 2019). The establishment of a space agency and its interest in supporting the growth of Australia's space industry could present further opportunities for cooperation. The United States can also strengthen space cooperation with New Zealand, building on space launches for DARPA and the USAF from the Rocket Lab launch facility on New Zealand's Mahia Peninsula. The United States should also consider pursuing enhanced cooperation and coordination in the areas of cyber and electronic warfare capabilities. In these more-sensitive areas of space, cyber, and electronic warfare, it is important to ensure that there are not unnecessary policy and practical barriers in place, such as classification caveats that can prevent the sharing of information on a regular and timely basis.
- *Strengthen cooperation on research and development of advanced capabilities.* The United States should enhance cooperation on research and development through the TTCP, a long-standing defense science and technology partnership that involves the United States, Australia, New Zealand, Canada, and the UK. With respect to Australia in

²⁸⁷ Australian Government, 2017, p. 97.

particular, the Australia-U.S. Ministerial Consultations Defense Acquisition Committee, an annual bilateral meeting of the government science and technology community, has numerous working groups with hundreds of Americans and Australians working together. By 2025, the RAAF will own no legacy aircraft other than its C-17 large transports. In terms of modernization and interoperability with the USAF, the RAAF is the model ally. According to Air Marshal Leo Davies, the recently retired Air Chief, the F-35 has made the United States and Australia fifth-generation “technology partners.”²⁸⁸ Australia’s determination to strengthen its defense industry creates opportunities for cooperation in the area of research and development. There are several potential areas for greater cooperation, such as hypersonic technology. The United States and Australia should consider emphasizing areas in which cooperation could contribute to the development of new capabilities and could influence Chinese planning and decisionmaking. Involving Australian officials and scientists in the early stages of the capability and requirements generation processes is an important step. Australia needs to understand how its capabilities will eventually interoperate with new U.S. capabilities and investments. Joint investments provide both countries with the opportunity to develop lessons learned together from “inside the tent.” Increasing collaboration in the science and technology communities, where there exists a shared culture of experimentation and innovation, is a related option. In April 2019, a license exemption for transfers of defense articles and services for or by the U.S. government went into effect. The exemption applies to transfers that “build and develop allied and friendly security capabilities for self-defense and multinational operations,” including cooperative defense projects.²⁸⁹ Science and technology partnerships will surely improve as a result of this exemption.

- *Develop options for strengthening the EAC component of the USFPI and consider conducting expanded rotational deployments of USAF bombers to northern Australia.* Such expanded deployments could be considered in the future if there is a requirement to strengthen conventional deterrence and complicate Chinese campaign planning.²⁹⁰ The intent underlying EAC as it is currently configured is to enhance fifth-generation aircraft interoperability, to provide more-expansive training opportunities in the vast Northern Territory, and to test operational concepts, such as the airborne early warning capabilities of the E7-A. However, for EAC to be fully realized, it needs to become a household name in USAF operational and security cooperation circles and be featured prominently in USAF and combatant command (INDOPACOM and component) plans. Significant security cooperation activities, such as key senior leader engagements (Senior National Representative talks, Pacific air chiefs, etc.) and exercises (e.g., Pitch Black, elements of Red Flag) between the USAF and RAAF could be prominently labeled as being “in the spirit of EAC.”

²⁸⁸ Center for Strategic and International Studies, “Alliance Structures and Networked Capabilities from an Australian Perspective,” video, YouTube, May 11, 2017.

²⁸⁹ 22 CFR § 126.4.

²⁹⁰ Although the United States would derive benefits from deploying bombers to northern Australia on a rotational basis, it would have to be sensitive to Australian perspectives on the possibility of closer cooperation in this area. Given Australia’s concerns about the risk that post-INF Treaty ballistic missile deployments could damage its relationship with China in a way that would outweigh any security benefit of hosting U.S. missiles, a more consistent presence of bombers could pose similar problems.

- *Encourage Australia to further increase its presence in the Indo-Pacific region, including by participating in multilateral air and maritime activities and conducting operations in the South China Sea.* The United States should encourage the continued expansion of Royal Australian Navy operations in the region, such as the Indo-Pacific Endeavour operations that Australia has conducted since 2017, as well as Australian participation in other bilateral and multilateral maritime exercises. Recent government documents and statements highlight this as an area that features strong alignment between U.S. and Australian priorities.²⁹¹ However, many observers in Australia are not eager to conduct U.S.-style FONOPs, which they believe would do little to change China's behavior and would leave Australia exposed to multiple types of Chinese retaliation.²⁹² Accordingly, the United States is likely to make more progress when it comes to cooperation in other areas of maritime operations. Indeed, Australian naval operations in the South China Sea underscore a commitment to freedom of the seas.²⁹³
- *The USAF and RAAF could work together to build the capabilities of other countries and strengthen relationships, noting how easy it is to saturate some of the smaller countries with this capacity-building assistance.* Australia has strong relationships in the region with Malaysia, Indonesia, Melanesia, and Polynesia, and both the United States and Australia have strong relationships with Japan, Singapore, and the Philippines. Among the “low-hanging fruit” partnering activities with the Philippines, Malaysia, and Papua New Guinea would be to explore options to send USAF instructors to their staff colleges (as the ADF is doing). The USAF could participate in the RAAF's new Air Planning Officer Course for Indo-Pacific partners, which will bring airmen from the region to Adelaide twice per year for two weeks. In addition, the USAF can engage the JTF-637 in Brisbane directly (through its liaison officer in that facility) to raise awareness within the USAF of Australia's air and cyber-related activities in the Pacific. RAAF headquarters is well-synched in terms of RAAF defense engagement activities in the region, which will help for coordination and deconfliction.
- *Construct a set of analytical tabletop exercises with Australia and New Zealand that would help the USAF and key allied air forces identify capability gaps against one or more specific scenarios.* Such an exercise series would be exploratory in nature, with jointly developed scenarios ideally resulting in broad, multinational consensus on the types of capability enhancements that merit greatest emphasis. The insights arising from this process could be used to better inform USAF programming choices and, perhaps, form the basis for a more formal division of labor and cost-sharing among key allies. Such exercises could lead to opportunities to better plan together, in both an operational and a security cooperation context.

²⁹¹ Australian Government, 2017, p. 47.

²⁹² Interviews with Australian scholars, Sydney and Canberra, January 2019.

²⁹³ Under the U.S. freedom of navigation program, U.S. Navy FONOPs serve as operational assertions that demonstrate nonacquiescence to excessive maritime claims. The U.S. Navy conducts these operations in ways that challenge specific excessive claims around the world, including excessive claims by China in the South China Sea. As several interviewees pointed out, although Australia and other countries do not dispatch warships to conduct U.S.-style FONOPs within 12 nm of Chinese-occupied features, their naval activities in the South China Sea nonetheless demonstrate resolve and underscore their support for freedom of the seas.

- *Work with Australia to more effectively highlight China's problematic behavior in the South China Sea and elsewhere, as needed.* Australian, U.S., and international journalists can be invited to report from Australian and U.S. maritime patrol aircraft and surface ships conducting operations in the region. Australian interviewees highlighted several instances in which the U.S. Navy has invited journalists on maritime patrol aircraft to highlight China's behavior in the South China Sea, which they indicated was a good way to draw attention to China's destabilizing or otherwise problematic activities.²⁹⁴ Similarly, inviting journalists to ride aboard U.S. or Australian warships could also help to publicly highlight destabilizing Chinese actions, such as the militarization of its artificial island outposts or the coercion of rival claimants in its maritime disputes.²⁹⁵
- *Work with Australia and New Zealand to operationalize Pacific Step Up and Pacific Reset and offer U.S. assistance.* Many of the soft-power projects under Pacific Step Up are still evolving, but there are opportunities to collaborate in infrastructure, security and surveillance, institutional capacity-building, and HA/DR. All of these efforts would support U.S. access objectives.
 - In terms of infrastructure, access is a key component to U.S. strategy in the region, and improving infrastructure at key facilities will likely improve access for all. Australia is focused on efforts to improve existing facilities and to build facilities that support partner capacity-building. For example, Australia has asked for U.S. trainers to support the Blackrock Peacekeeping Training in Fiji, which will train 800 peacekeepers per year once it is built. There are certain to be other ways that the United States and Australia could collaborate as these projects get underway. The dialogue on this collaboration should remain active, particularly because infrastructure improvement is a key tenet of Pacific Step Up.
 - In terms of security and surveillance, Australia is investing in intelligence, surveillance, and reconnaissance through the PMSP, but there are limits to this assistance and gaps where the United States might step in with Section 333 security cooperation (which is intended to facilitate efforts to build capacity of partner nations) or other security cooperation resources. For example, Australia has not provided secure communications. The USAF could explore options with the RAAF to provide this gapped capability in key strategic locations in conjunction with the PMSP.
 - Institutional capacity-building is a largely unexplored area with a lot of potential. The 2017 National Defense Authorization Act emphasizes institutional capacity-building as a key function of DoD security cooperation. DoD's four pillars of institutional capacity-building (strategy and policy, logistics, personnel management, resource management) overlap with Australia's focus areas in promoting good governance in the region. The Australian Department of Defence is responding to requests for assistance in the development of national-level defense strategies, doctrine, auditing and financial management, acquisition, justice and legal, and cybersecurity. Requests

²⁹⁴ Interviews with Australian scholars, Canberra, January 2019.

²⁹⁵ Australia has been reluctant at times to call out problematic Chinese behavior for fear of potential retribution. See, for example, Peter Jennings, "Clarity and Consistency Needed in Australia's China Policy," *The Strategist*, Australian Strategic Policy Institute blog, June 8, 2019.

for RAAF support to logistics, maintenance, and sustainment are steady. The USAF and RAAF could work together, particularly in the areas of logistics, doctrine development, and cyber.

- DoD and the USAF should work with Australia and New Zealand to conduct HA/DR training and to help countries in the region build their capacity in these areas. As one interviewee put it, HA/DR is an area that is very important for building trust. The United States, Australia, and other allies and partners can do more here, and it would help them compete with China more effectively. Working together on building partner capacity in these areas can also advance U.S. and Australian interests and help countries in need of assistance. Additionally, this area does not run into the problems and obstacles the United States and Australia might face if it looks like all of their actions are focused on military balancing against China. Overall, there is enormous need, and investments in this area can pay real dividends.²⁹⁶
- In all of these security cooperation investments, it is important for the USAF to be able to assess, monitor, and evaluate the effectiveness of these investments over time to directly inform decisions regarding whether to continue, change, or cease these activities. Many will be experimental in nature and will need to be closely monitored.

²⁹⁶ Interviews with Australian government officials and scholars, Sydney and Canberra, January 2019.

Appendix A. Detailed Framework Variable Coding

This report is part of a series of country studies that assess the competition for influence in these nations between China and the United States. The main report, *Regional Responses to U.S.-China Competition in the Indo-Pacific: Study Overview and Conclusions*, presents a detailed explanation of a RAND-developed analytic framework for evaluating which competitor, China or the United States, maintains the most influence in a given third country.²⁹⁷ To offer readers of this report additional details on the framework, Table A.1 briefly explains the color coding of the RAND framework variables. The rest of the appendix presents the sources that supported the framework's variables.

Table A.1. Color Coding of Framework Variables

Variable	Coding
Diplomatic and political ties	• Blue: Partner has significantly closer diplomatic ties with the United States than China and prioritizes its relationship with the United States. • Light blue: Partner has slightly closer diplomatic ties with the United States than China and places relatively more priority on ties with the United States. • Gray: Partner has similar diplomatic ties with the United States and China and attaches similar weight to relations with the United States and China. • Light red: Partner has slightly closer diplomatic ties with China than the United States and places relatively more priority on ties with China. • Red: Partner has significantly closer diplomatic ties with China than the United States and prioritizes its relationship with China.
Support for U.S. versus Chinese vision for the region	• Blue: Partner views the U.S. vision for the region as highly aligned with its own interests and is concerned that China's vision undermines its interests. • Light blue: Partner views the U.S. vision for the region as generally more aligned with its own interests than China's visions. • Gray: Partner views both visions as similarly aligned with its interests, or the partner views neither vision as aligned with its interests. • Light red: Partner views the Chinese vision for the region as generally more aligned with its own interests than the U.S. vision. • Red: Partner views the Chinese vision for the region as highly aligned with its own interests and is concerned that the U.S. vision undermines its interests.
Views of U.S. commitment to the region	• Blue: Partner is very confident that the United States will remain committed to the region and will at least maintain its current level of attention to the region, and partner can rely on the United States. • Light blue: Partner is cautiously optimistic that the United States will remain committed to the region and will likely maintain its current level of attention to the region; and partner can rely on the United States.

²⁹⁷ Bonny Lin, Michael S. Chase, Jonah Blank, Cortez A. Cooper, Derek Grossman, Scott W. Harold, Jennifer D. P. Moroney, Lyle J. Morris, Logan Ma, Paul Orner, Alice Shih, and Soo Kim, *Regional Responses to U.S.-China Competition in the Indo-Pacific: Study Overview and Conclusions*, Santa Monica, Calif.: RAND Corporation, RR-4412-AF, 2020.

Variable	Coding
	• Gray: Partner is uncertain whether the United States will remain committed to the region, is uncertain that the United States will maintain its current level of attention to the region, and is uncertain that it can rely on the United States. • Light red: Partner is relatively pessimistic that the United States will remain committed to the region, believes that the United States will have difficulty maintaining attention toward the region, and does not believe that it can rely on the United States. • Red: Partner does not believe that the United States is committed to the region, believes that the United States is likely to decrease its attention to the region, and does not believe that it can rely on the United States.
Public opinion	• Blue: Partner public opinion significantly favors the United States over China by more than 20 percent. • Light blue: Partner public opinion slightly favors the United States over China by 3 percent to 20 percent. • Gray: Partner public opinion has similar favorability views of the United States and China. • Light red: Partner public opinion slightly favors China over the United States by 3 percent to 20 percent. • Red: Partner public opinion significantly favors China over the United States by more than 20 percent.
Economic	
<i>Economic dependence</i>	• Blue: Partner is significantly dependent on trade, investment, and (to a lesser extent) tourism from the United States, compared with China (more than 20 percent). • Light blue: Partner is moderately more dependent on trade, investment, and (to a lesser extent) tourism from the United States, compared with China (3 percent to 20 percent). • Gray: Partner is similarly dependent on trade, investment, and (to a lesser extent) tourism from the United States, compared with China. • Light red: Partner is moderately more dependent on trade, investment, and (to a lesser extent) tourism from China, compared to the United States (3 percent to 20 percent). • Red: Partner is significantly dependent on trade, investment, and (to a lesser extent) tourism from China, compared with the United States (more than 20 percent).
<i>Economic opportunity</i>	• Blue: Partner strongly believes that it will depend more on trade and investments with the United States than China in the next 10–15 years. • Light blue: Partner believes that it is likely to depend more on trade and investments with the United States than China in the next 10–15 years. • Gray: Partner believes that it is likely to depend as much on the United States as on China for trade and investment in the next 10–15 years. • Light red: Partner believes that it is likely to depend more on trade and investments with China than the United States in the next 10–15 years. • Red: Partner strongly believes that it will depend more on trade and investments with China than the United States in the next 10–15 years.
<i>Threat perceptions of the United States versus China (economic)</i>	• Blue: Partner has significant concerns regarding U.S. economic influence and views U.S. economic strength as threatening, subversive, or coercive. • Light blue: Partner has some, but limited, concerns regarding U.S. economic influence and views U.S. economic strength as threatening, subversive, or coercive. • Gray: Partner does not view the United States and China as economic threats or has equal concerns about negative U.S. and Chinese economic influence. • Light red: Partner has some, but limited, concerns regarding Chinese economic influence and views Chinese economic strength as threatening, subversive, or coercive.

Variable	Coding
Willingness to work with the United States versus China based on economic threat perceptions	• Red: Partner has significant concerns regarding Chinese economic influence and views Chinese economic strength as threatening, subversive, or coercive. • Blue: Partner seeks to work with the United States to counter or mitigate assessed Chinese economic threats and has taken significant measures to reduce economic dependency on China. • Light blue: Partner seeks greater economic cooperation with the United States and has taken some measures to limit or reduce Chinese economic influence in key economic sectors. • Gray: Partner seeks greater economic cooperation with the United States and China and seeks economic diversification to avoid overdependence on either country. • Light red: Partner seeks greater economic cooperation with China and has taken some measures to limit or reduce U.S. economic influence in key economic sectors. • Red: Partner seeks to work with China to counter or balance against assessed U.S. economic threat and has taken significant measures to reduce economic dependency on the United States.
Military and security	
<i>Threat perceptions of the United States versus China (military)</i>	• Blue: Partner views the United States as a significant military or security threat. • Light blue: Partner views the United States as a limited military or security threat. • Gray: Partner does not view the United States and China as military or security threats or has equal concerns about both countries. • Light red: Partner views China as a limited military or security threat. • Red: Partner views China as a significant military or security threat.
Willingness to work with the United States versus China based on military threat perceptions	• Blue: Partner seeks increased cooperation with the United States to balance against assessed Chinese military or security threat and has taken actions to directly or indirectly balance against China's military strength. • Light blue: Partner seeks increased cooperation with the United States to strengthen its own military capabilities, has taken some measures to address perceived Chinese military threat, and is cautious of directly balancing against China. • Gray: Partner seeks more military cooperation with the United States and China or partner's willingness to militarily cooperate with the United States or China is not driven by U.S. or China military threat perceptions. • Light red: Partner seeks increased cooperation with China to strengthen its own military capabilities; has taken some measures to address perceived U.S. military threat and is cautious of directly balancing against the United States. • Red: Partner seeks increased cooperation with China to balance against assessed U.S. military or security threat and has taken actions to directly or indirectly balance against U.S. military strength.
Support for major U.S.-led security efforts	• Blue: Partner has participated or supported many key U.S.-led international and regional security efforts. • Light blue: Partner has participated or supported some U.S.-led international and regional security efforts. • Gray: Partner has shown limited or no support to U.S.-led international and regional security efforts. • Light red: Partner has opposed some U.S.-led international and regional security efforts. • Red: Partner has opposed many U.S.-led international or regional security efforts.
Military cooperation	• Blue: Partner has significantly closer military ties with the United States than China and engages in significantly more military activities and cooperation with the United States.

Variable	Coding
<i>U.S. versus Chinese military capability</i>	• Light blue: Partner has slightly closer military ties with the United States than China and engages in moderately more military activities and cooperation with the United States. • Gray: Partner has similar military ties with the United States and China and attaches similar weight to defense and security cooperation with the United States and China. • Light red: Partner has slightly closer military ties with China than the United States and engages in moderately more military activities and cooperation with China. • Red: Partner has significantly closer military ties with China than the United States and engages in significantly more military activities and cooperation with China.
Perception of U.S. willingness to aid partner in conflict with China	• Blue: Partner believes that the United States currently has a significant military advantage over China in terms of military capabilities. • Light blue: Partner believes that the United States currently has a modest military advantage over China in terms of military capabilities. • Gray: Partner believes that the United States and China have similar military capabilities. • Light red: Partner believes that China currently has a modest military advantage over the United States in terms of military capabilities. • Red: Partner believes that China currently has a significant military advantage over the United States in terms of military capabilities.
	• Blue: Partner is confident that the United States will provide military support or aid if partner becomes involved in a potential military conflict with China. • Light blue: Partner is cautiously optimistic that the United States will provide military support or aid if partner becomes involved in a potential military conflict with China. • Gray: Partner is uncertain whether the United States will provide military support or aid if partner becomes involved in a potential military conflict with China. • Light red: Partner is pessimistic that the United States will provide military support or aid if partner becomes involved in a potential military conflict with China. • Red: Partner does not believe that the United States will provide military support or aid if partner becomes involved in a potential military conflict with China.

NOTE: Variables measuring shared interests are roman, and variables measuring relative capability are italicized.

Variable: Diplomatic and Political Ties

- **Coding method:** Researchers coded based on interviews and analysis.
- **Data sources in addition to interviews:** U.S. Department of State, “Websites of U.S. Embassies, Consulates, and Diplomatic Missions,” webpage, undated c; U.S. Department of State, homepage, undated a; U.S. Department of State, “Press Releases,” webpage, undated b; Stockholm International Peace Research Institute, “SIPRI Arms Transfers Database,” webpage, undated; White House, “Briefings & Statements,” webpage, undated b; White House, “Barack Obama,” webpage, undated a; White House, “George W. Bush,” webpage, undated c.
- **Notes:** We do not use UN voting as an indicator of diplomatic interests. U.S. interests go beyond issues voted on at the UN. Countries vote on a variety of issues in the UN that are not of equal strategic importance to the United States. Among the subset of UN votes that the U.S. Department of State categorizes as important for the United States, a good

proportion relates to Israel and Palestine, and the majority of the issues relate to general development or foreign policy concerns that are not specific to security issues in the Indo-Pacific. In 2017, for example, among the State Department–identified important UN votes, there was only one vote—situation of human rights in Burma—out of 27 votes that was specific to the Indo-Pacific.²⁹⁸

Variable: Support for U.S. Versus Chinese Vision for the Region

- **Coding method:** Researchers coded based on interviews and data from various polling sources.
- **Data source in addition to interviews:** Tang Siew Mun, Moe Thuzar, Hoang Thi Ha, Termsak Chalermpanupap, Pham Thi Phuong Thao, and Anuthida Saelaow Qian, *The State of Southeast Asia: 2019 Survey Report*, Singapore: ISEAS–Yusof Ishak Institute, 2019.

Variable: Views of U.S. Commitment to the Region

- **Coding method:** Researchers coded based on interviews and data from various polling sources.
- **Data sources in addition to interviews:** Japanese Ministry of Foreign Affairs, “Opinion Poll on Japan in ASEAN Countries,” March 2019; Tang Siew Mun, Moe Thuzar, Hoang Thi Ha, Termsak Chalermpanupap, Pham Thi Phuong Thao, and Anuthida Saelaow Qian, *The State of Southeast Asia: 2019 Survey Report*, Singapore: ISEAS–Yusof Ishak Institute, 2019.

Variable: Public Opinion

- **Coding method:** Researchers coded based on interviews and polling data on whether the country has favorable views of the United States or China. The calculations used U.S. favorability (percentage) minus PRC favorability (percentage).
- **Data sources in addition to interviews:** Pew Research Center, Global Indicators Database, “Australia: Opinion of the United States,” updated August 2017b; Tang Siew Mun, Moe Thuzar, Hoang Thi Ha, Termsak Chalermpanupap, Pham Thi Phuong Thao, and Anuthida Saelaow Qian, *The State of Southeast Asia: 2019 Survey Report*, Singapore: ISEAS–Yusof Ishak Institute, 2019; Yun-han Chu, Yu-tzung Chang, and Min-hua Huang, “How East Asians View the Influence of United States vs. a Rising China,” Hu Fu Center for East Asia Democratic Studies, National Taiwan University, 2016; Wan Saiful Wan Jan, “Malaysians’ Response to Big China Presence Shows Concerns,” *Straits Times*, April 27, 2017; Boo Su-Lyn, “Malaysians More Positive About China Now, Studies Show,” *Malay Mail*, April 1, 2017; Johannes Herlijanto, *Public Perceptions of China in Indonesia: The Indonesia National Survey*, Singapore: ISEAS–Yusof Ishak Institute, December 4, 2017a; Bruce Stokes, Dorothy Manevich, and Hanyu

²⁹⁸ U.S. Department of State, *Voting Practices in the United Nations 2017*, Washington, D.C., March 2018; Sarah Rose, *Linking US Foreign Aid to UN Votes: What Are the Implications?* Washington, D.C.: Center for Global Development, May 2018.

Chwe, “India and the World,” Pew Research Center, November 15, 2017; Johannes Herlijanto, “Public Perceptions of China in Indonesia: The Indonesia National Survey,” *Belt and Road*, December 5, 2017b; Globe Scan, “Sharp Drop in World Views of US, UK: Global Poll,” July 4, 2017.

Variable: Economic Dependence

- **Coding method:** Researchers coded based on 65 percent trade (the difference in the country’s trade with the United States versus China), 20 percent inward FDI (the difference in the United States versus PRC FDI into the country), 10 percent outward FDI (the difference in the country’s FDI in the United States versus the country’s FDI in China), and 5 percent tourism (the difference in U.S. tourism to the country versus Chinese tourism to the country). Five percent is reflective of the economic importance of tourism to regional countries.²⁹⁹
- **Data sources in addition to interviews:** Researchers used the most recent year data available (2017 or 2018) and partner reporting for trade. Researchers used U.S. sources for U.S. FDI and partner FDI in the United States and Chinese sources for Chinese FDI and partner FDI in China. United Nations, “UN Comtrade Database,” webpage, undated; United Nations Conference on Trade and Development, *World Investment Report 2018: Investment and New Industrial Policies*, Geneva, Switzerland: United Nations Publications, 2018; U.S. Bureau of Economic Analysis, “Direct Investment by Country and Industry,” webpage, updated July 24, 2019; U.S. Bureau of Economic Analysis, “Foreign Direct Investment in the U.S.: Balance of Payments and Direct Investment Position Data,” webpage, updated June 19, 2020; Chinese Ministry of Commerce, *2017 Statistical Bulletin of China’s Outward Foreign Direct Investment*, Beijing, October 2018.
- **Notes:** We also examined trade imbalance, including dependency on particular import or export products. As indicated in the main text, we also explored placing more weight on partner exports as compared with imports.

Variable: Economic Opportunity

- **Coding method:** Researchers coded based on interviews and projected U.S. and Chinese economic growth rates.
- **Data sources in addition to interviews:** U.S. Bureau of Economic Analysis; China Global Investment Tracker; International Monetary Fund World Economic Outlook; Transparency International Corruption Perceptions Index; Chinese Ministry of Commerce; PricewaterhouseCoopers, *The Long View: How Will the Global Economic Order Change by 2050?* London, February 2017; Lowy Institute, *Asia Power Index 2019*, Sydney, 2019; “The World’s Economic Powerhouses Are Going to Look Very Different in Another Decade,” *News.com.au*, January 20, 2019; Will Martin, “The U.S. Could Lose Its Crown as the World’s Most Powerful Economy as Soon as Next Year, and It’s

²⁹⁹ Yuwa Hedrick-Wong, “Asia’s Economic Ties Strengthen Amid Gathering Global Storm,” *Forbes*, September 30, 2018.

Unlikely to Ever Get It Back,” *Business Insider*, January 10, 2019; Janet Henry and James Pomeroy, *The World in 2030*, London: HSBC, September 2019.

Variable: Threat Perceptions of the United States Versus China (Economic)

- **Coding method:** Researchers coded based on interviews, literature review, and polling data.
- **Data sources in addition to interviews:** Tang Siew Mun, Moe Thuzar, Hoang Thi Ha, Termsak Chalermpananupap, Pham Thi Phuong Thao, and Anuthida Saelaow Qian, *The State of Southeast Asia: 2019 Survey Report*, Singapore: ISEAS–Yusof Ishak Institute, 2019; Natasha Kassam, *Lowy Institute Poll 2019*, Sydney: Lowy Institute, June 2019.

Variable: Willingness to Work with the United States Versus China Based on Economic Threat Perceptions

- **Coding method:** Researchers coded based on interviews and literature review.
- **Data sources in addition to interviews:** Tang Siew Mun, Moe Thuzar, Hoang Thi Ha, Termsak Chalermpananupap, Pham Thi Phuong Thao, and Anuthida Saelaow Qian, *The State of Southeast Asia: 2019 Survey Report*, Singapore: ISEAS–Yusof Ishak Institute, 2019; Natasha Kassam, *Lowy Institute Poll 2019*, Sydney: Lowy Institute, June 2019.

Variable: Threat Perceptions of the United States Versus China (Military)

- **Coding method:** Researchers coded based on interviews, literature review, and polling data.
- **Data sources in addition to interviews:** Tang Siew Mun, Moe Thuzar, Hoang Thi Ha, Termsak Chalermpananupap, Pham Thi Phuong Thao, and Anuthida Saelaow Qian, *The State of Southeast Asia: 2019 Survey Report*, Singapore: ISEAS–Yusof Ishak Institute, 2019; Natasha Kassam, *Lowy Institute Poll 2019*, Sydney: Lowy Institute, June 2019.

Variable: Willingness to Work with the United States Versus China Based on Military Threat Perceptions

- **Coding method:** Researchers coded based on interviews and literature review.
- **Data sources in addition to interviews:** Tang Siew Mun, Moe Thuzar, Hoang Thi Ha, Termsak Chalermpananupap, Pham Thi Phuong Thao, and Anuthida Saelaow Qian, *The State of Southeast Asia: 2019 Survey Report*, Singapore: ISEAS–Yusof Ishak Institute, 2019; Natasha Kassam, *Lowy Institute Poll 2019*, Sydney: Lowy Institute, June 2019.

Variable: Support for Major U.S.-Led Security Efforts

- **Coding method:** Researchers coded an aggregate of data collected on how regional countries support or participate in U.S.-led international or regional initiatives: If countries supported major U.S. efforts related to North Korea, including efforts to disrupt

North Korean ship-to-ship transfers; participated in South China Sea patrols, operations, or major exercises with the United States in South China Sea international waters; engaged in Taiwan Strait transits; supported U.S. FONOPs; participated in major U.S.-led military operations (Operation Enduring Freedom, International Security Assistance Force, Operation Iraqi Freedom, and Operation Inherent Resolve); and participated in the Global Coalition to Defeat ISIS.

- **Data sources in addition to interviews:** Various articles from the Council on Foreign Relations, *The Diplomat*, Reuters, *The Guardian*, BBC, *Japan Times*, the Australian Strategic Policy Institute, and foreign ministry websites.

Variable: Military Cooperation

- **Coding method:** Researchers coded as an aggregate of six measures: if the United States or China has a major military base or facility in the country; relative U.S. versus Chinese arms sales to the country; whether the country has acquisition and cross-servicing agreements with the United States versus a similar agreement with China; whether the country has defense coproduction and codevelopment agreements with the United States, compared with similar agreements with China; whether the country has an information-sharing agreement with the United States, compared with a similar agreement with China; and how much the country militarily trains and exercises with the United States, compared with China.
- **Data sources in addition to interviews:** Various articles in the *China Daily* and *People's Daily*; Kenneth W. Allen, John Chen, and Phillip Charles Saunders, *Chinese Military Diplomacy, 2003–2016: Trends and Implications*, Washington, D.C.: National Defense University Press, 2017; Defense Intelligence Agency, *China Military Power: Modernizing a Force to Fight and Win*, Washington, D.C., 2019; U.S. Department of Defense and U.S. Department of State, *Fiscal Years 2017 and 2018 Joint Report to Congress*, Vol. 1, Washington, D.C., Foreign Military Training Report F-685A5A8, November 27, 2017a; U.S. Department of Defense and U.S. Department of State, *Fiscal Years 2017 and 2018 Joint Report to Congress*, Vol. 2: *Country Training Activities*, Washington, D.C., Foreign Military Training Report F-685A5A8, November 27, 2017b; U.S. Department of Defense and U.S. Department of State, *Fiscal Years 2018 and 2019 Joint Report to Congress*, Vol. 1, Washington, D.C., Foreign Military Training Report 2-C52504A, March 13, 2019a; U.S. Department of Defense and U.S. Department of State, *Fiscal Years 2018 and 2019 Joint Report to Congress*, Vol. 2: *Country Training Activities*, Washington, D.C., Foreign Military Training Report 2-C52504A, March 13, 2019b; U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2019*, Washington, D.C.: Office of the Secretary of Defense, E-1F4B924, May 2, 2019; U.S. Department of Defense, *Assessment on U.S. Defense Implications of China's Expanding Global Access*, Washington, D.C.: Office of the Secretary of Defense, 6-6B48CD8, December 20, 2018; Stockholm International Peace Research Institute, "SIPRI Arms Transfers Database," webpage, undated; U.S. Army Pacific, homepage, undated; Pacific Air Forces, homepage, undated; Commander, U.S. Pacific Fleet, homepage, undated; Chinese

Embassy in Thailand, homepage, undated;³⁰⁰ State Council of the People's Republic of China, *The Diversified Employment of China's Armed Forces*, Beijing, 2013; State Council of the People's Republic of China, *China's Military Strategy*, Beijing, 2015; State Council of the People's Republic of China, *China's Policies on Asia-Pacific Security Cooperation*, Beijing, 2017; State Council of the People's Republic of China, *China's Foreign Aid*, Beijing, 2014.

Variable: U.S. Versus Chinese Military Capability

- **Coding method:** Researchers coded based on regional interviews and comparisons of current U.S. versus PRC military capability.
- **Data sources in addition to interviews:** Lowy Institute, *Asia Power Index 2019*, Sydney, 2019; International Institute for Strategic Studies, "Asia," in *The Military Balance 2019*, London, 2019, pp. 222–319.

Variable: Perception of U.S. Willingness to Aid Partner in Conflict with China

- **Coding method:** Researchers coded based on interviews, literature review, and polling data.
- **Data sources in addition to interviews:** Stafford Nichols and Zacc Ritter, "U.S. Defense Promise Still Credible in Asia-Pacific," Gallup, July 17, 2018; Tang Siew Mun, Moe Thuzar, Hoang Thi Ha, Termsak Chalermpananupap, Pham Thi Phuong Thao, and Anuthida Saelaow Qian, *The State of Southeast Asia: 2019 Survey Report*, Singapore: ISEAS–Yusof Ishak Institute, 2019.

³⁰⁰ This source is provided as an example. All of China's embassy websites that were of interest to this report were used.

Appendix B. Australian Defense Cooperation

Table B.1 shows Australian defense cooperation with select countries in the Indo-Pacific region. We consider a variety of factors to illustrate key elements of Australia's defense cooperation with these countries.

Table B.1. Australian Defense Cooperation with Select Indo-Pacific Countries

	Japan	India	Indonesia	Singapore	New Zealand
Partnership type	Special Strategic Partnership (2007)	Strategic Partnership (2009)	Comprehensive Strategic Partnership (2018)	Comprehensive Strategic Partnership (2015)	Alliance Partner
2+2 dialogue	Yes (2002)	Yes (2017)	Yes (2012)	Yes (1996) (Joint Ministerial Committee includes trade ministers as well as foreign and defense ministers)	No
Arms sales and transfers (2000 to present)	Yes	Yes (108 million TIV)	Yes (139 million TIV)	Yes (81 million TIV)	Yes (116 million TIV)
Key items	Bushmaster APC	Thornycroft 25m patrol craft	Bushmaster APC, C-130H Hercules	N/A	Tenix-1600 OPV, Penguin-2 ASM
Acquisition and cross-servicing agreements	Yes (2010)	No	No	No	Yes (1991) ^a
Defense coproduction and co-development	No	No	Yes	No	Yes
Key items	N/A	N/A	Sanca APC	N/A	Tenix-1600 OPV)
Military training	Yes	Yes	Yes	Yes	Yes
Major bilateral exercises	Nichi Gou Trident	AUSINDEX, AUSTRA HIND	Cassowary, New Horizon	Trident, Matilda, Singaroo	Triton Storm

	Japan	India	Indonesia	Singapore	New Zealand
Major multilateral exercises	RIMPAC, Cope North, Kakadu, Talisman Sabre, Southern Jackaroo, Red Flag, Pitch Black, Komodo	RIMPAC, Malabar (2007), Pitch Black, Kakadu, Milan, Force 18, Komodo	RIMPAC, Pitch Black, Kakadu, Force 18, Milan, Komodo	Bersama Lima, Bersama Shield, Kakadu, Pitch Black, Force 18, Milan, Komodo	Bersama Lima, Bersama Shield, Southern Katipo, RIMPAC, Talisman Sabre, Croix du Sud, Red Flag, Force 18, Milan, Komodo
Information-sharing agreements	Agreement on the Security of Information (2012)	Information Sharing Arrangement (2007)	No	Agreement for the Reciprocal Protection of Classified Information (1996)	Agreement for the Reciprocal Protection of Classified Information of Defence Interest (1989)

NOTE: APC = armored personnel carrier; ASM = antiship missile; OPV = offshore patrol vessel; TIV = trend-indicator value.

^a Agreement Concerning Cooperation in Defence Logistics Support (1991).

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This report on Australia and New Zealand is part of a project examining the perspectives of U.S. allies and partners in the Indo-Pacific as they formulate and implement their responses to China's more assertive foreign and security policy and to a more competitive U.S.-China relationship. Australia and New Zealand have expanded their economic ties with China, but there is growing concern in both countries about China's rising power and influence. In response, Australia is strengthening its alliance with the United States and becoming more actively involved in the Indo-Pacific region, especially in the Pacific Islands. New Zealand is also strengthening its security ties with the United States and intensifying its regional outreach (particularly, with its Pacific Island neighbors).

This stepped-up engagement in the region creates opportunities for the United States and, specifically, for the U.S. Department of Defense and the U.S. Air Force to work with these two countries (and with other regional partners) in new and innovative ways, both operationally and using soft-power tools and approaches.

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