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# UNIT 1 IMPORTANCE OF STUDYING AUSTRALIA'S FOREIGN POLICY

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## 1.1 INTRODUCTION

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Given the geophysical location astride the Indian and the Pacific oceans in the lower half of the Southern Hemisphere, Australia is often described as a 'down under' country that mattered trifle little in international affairs. However, even a cursory glance of its history would suggest that Australia, throughout its evolution as an independent country, has been actively involved in international affairs both within and beyond the Asia-Pacific region to which it belongs.

Not only because of its geo-physical profile, more so, because of its 'down under' location Australia could not afford to remain uninvolved in international affairs. Being an island country, Australia is endowed with modest mineral and agricultural resources with a small population relative to its continental-size. Its history and evolution for long has been closely linked to Britain and Western civilisation. Above all, Australia is located away from centres of power. All of these factors at different points of time had led Australia to seek gradually its insertion in the international system. No wonder therefore, today Australia, despite its historical close affinities and strong links with Europe and North America has become quite active in the political, military and economic affairs of Asia. Together, its vibrant economy, however modest, admittedly is deeply enmeshed in the international flow of trade and finance in recent years.

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## 1.2 OBJECTIVES

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After studying this unit, you shall be able to:

- understand Australia's economic, political, strategic and security interaction with the countries of Asia-Pacific;
- analyse how Australia is attaching increased importance to its interaction with the Asian Country along with retaining its close cultural and strategic linkages with Europe and the United States;

- highlight the similarities between India and Australia in the areas of political institutions and broadly democratic values such as liberal democratic polity with an abiding commitment to political and economic freedom;
- discuss Australia's growing interests in establishing close economic relations with the countries of Europe, North America, Asia, Africa and Latin America, as it now wants to look beyond Europe and North America;
- analyse the post cold war efforts of Australia to adopt an independent foreign policy and postures in world affairs divide of vestiges of western alliance system; and
- examine Australia's bilateral, regional and multicultural policy and mutual supportive measures to a common end.

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### **1.3 AUSTRALIA'S DOMESTIC STRENGTHS**

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At the same time, the political class of Australia in recent decades have come to recognise increasingly that their country's security and prosperity depend vitally on the quality and strength of the political, defence and intelligence partnerships with the outside world. Australian business community too recognises the need to establish economic links around the world. In this endeavour, Australia's professed values, in-built strength of its socio-political institutions and its concerted initiatives to forge diverse international links have facilitated the country to make great strides in a period of international uncertainty and economic globalisation. So much so, the overall framework of its foreign and trade policy today is perceptibly global, reflecting its diverse and variegated interests and relationships. No doubt, some of its interests are defined by its geography. However, others for sure have been dictated by the exigencies of contemporary international developments. For the same reasons, its major relationships are also shifting in importance whereas others stay relatively constant.

In the realm of foreign policy initiatives and postures, it is possible to perceive at least in some respects some striking parallels between India and Australia. Having evolved a liberal democratic polity with abiding faith and commitment to political and economic freedom, Australia's avowed objectives in respect of its foreign policy are similar to India. Democratic values, legal practices and political institutions as enshrined in its constitution promulgated as far back as 1901 constitute the foundations of its foreign policy. Also, having evolved the tradition of working with other liberal democracies around the world, Australia's policy initiatives tend to defend and promote such of these values and institutions.

At the same time, Australia's political institutions and traditions like India's are no doubt responsive, robust and decentralised. Debate is vigorous, the media are free and active, and power and influence are widely dispersed. Like India, the parliamentary system of government that Australia has evolved over the years provides an effective forum of debate for its foreign and trade policies. Just as most functional democracies, the policies by which successive governments advance the national interest are shaped by, among other things, the values cherished and championed by the political class. Of these, the values that merit mention admittedly are the rule of law and equality of opportunity to all citizens of the country. These values are at the root of Australia's various attempts to improve human rights and human security throughout the world.

As mentioned earlier, Australia is a Western country located in the Asia-Pacific region with close ties and affinities with North America and Europe and a history of active engagement throughout Asia. In recent decades, however, Australia's closer engagement with the countries of Asia is an abiding priority in its external policy.

The reasons for its active interfacing with the countries of Asia are not far to seek. Today, no less than eight Asian countries account for Australia's ten largest export markets – Indonesia, Malaysia, Thailand, Taiwan, China, Korea, Japan and India though not necessarily in that order of importance. In recent years, India has become the sixth in the ranking order in Australia's export destinations. At the same time, these very Asian countries – important among them being China, Japan and India – are also the important sources of capital

and investments, major security partners and a growing source of skilled migrants. Admittedly, Asia's weaknesses, as well as its strengths, are of critical importance to Australia. Despite these significant Asian connections, United States, however, continues to remain vital to Australia security ties and to that extent it continues to play no less a significant role in the Western alliance system.

Maintaining a productive interplay between these two spheres of international affairs – close engagement with Asia on the one hand, and the basic Western make-up of Australian society and its institutions and wider international associations on the other – are clearly the parameters of Australia's foreign policy. However much challenging – as on some occasions these challenges had even undermined Australia's credibility in the eyes of the international community – in recent decades, Australia has been striving to adopt an independent posturing in world affairs devoid of vestiges of the Western alliance system. And, therefore, adroit management of this interplay has been a major critical theme in its external policy. Managed well, this interplay admittedly is strength, not a zero-sum game. It is for these reasons the foreign policy establishment painstakingly projects quite frequently that Australia's links with Asia and other parts of the world are mutually reinforcing because any advance they make in any relationship is not be at the expense of others. Put simply, the policy rationale is that stronger and more diverse are its links outside Asia such as its defence and intelligence alliance with the US would endow Australia greater influence in Asia.

Similarly, Australia's geographic location, its focus on understanding and dealing with the countries of Asia and its position as one of the most Asian-oriented economies of the world are positive assets in its relations with Europe and the United States. Although the United States and European partners have their own well-developed links with Asian countries, they no less value Australia's role and its unique perspective in Asia. So much so, a significant number of companies from the northern hemisphere have located their Asian headquarters in Australia because of its proximity to Asia and the depth of its Asian skills as well as the investment climate.

In the coming years, by all accounts, Australia's close engagement with Asia will continue to proceed. This is not to suggest that there are no significant political, social and economic differences between Australia and individual countries of Asia just as much individual countries of the region do have significant differences between themselves. Therefore, in the coming years Australia is likely to focus on the substantial shared security and economic interests that underpin its current Asian engagement.

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## **1.4 BUILDING COALITIONS THROUGH FUNCTIONAL AFFINITIES**

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Geography has never been the sole determinant of Australia's international links. In a world where global economic integration is likely to continue, in which threats to security can come from small, non-national groups operating far away, Australia recognises that its interests will have to be globally spread. As these trends continue, Australia will increasingly find itself in situations where it will have to consider foreign and trade policy less in geographic terms and more in terms of developing functional affinities with countries and groups of countries with which it shares specific interests. It is with these objectives, that Australia has been in recent years taking initiatives to building coalitions both regionally and beyond.

Australia shares, for example, intimate intelligence links with a small group of countries that have different regional focuses in their international relations. Australia has continued the partnership that began during the Second World War with the United States, the United Kingdom, Canada and New Zealand in the collection and sharing of intelligence. It is a relationship based on strategic affinities and a common interest in obtaining reliable intelligence to defend individual national interests. It is based, too, on trust in each other and the possession of the necessary resources and capabilities. That common interest is likely to grow, and will probably embrace co-operation with more countries, as intelligence collection becomes of greater importance in the war against terrorism.

Parallel to its multilateral security policy designs, Australia has been quite active to promote multilateral free trade in such international forums such as General Agreement on Tariffs and Trade (GATT) and Asia-Pacific

Economic Co-operation (APEC). Admittedly, these were the two principal innovative trade policy measures that Australia spearheaded in the 1980s. Towards these Australia initiated and assumed leadership of what came to be known as the Cairns Group of Fair Agricultural Trading Nations established in 1986. As many as thirteen other countries spanning five continents are members of the Cairns Group. They are Argentina, Brazil, Chile, Colombia and Uruguay (in Latin America); Indonesia, Malaysia, Thailand and the Philippines (in Asia); Australia, New Zealand and Fiji (in Australasia); Canada (in North America); and Hungary (in Europe). The objective of the Cairns Group was to push for the inclusion of agriculture on GATT's agenda for the Uruguay Round and the subsequent reform of agricultural policies, especially those of the major industrialised economies in respect of three contested areas such as export subsidies, import access and internal support. By way of bargaining, the Cairns Group led by Australia demanded and succeeded in reforming agriculture trade. Thus, the Cairns Group, an Australian initiative represents a creative and effective multilateral diplomacy bringing into fold a disparate group of members and holds them together for a very complex process of negotiation in international trade.

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## **1.5 FROM MULTI-LATERALISM TO BI-LATERALISM**

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Notwithstanding, actions of individual nation-states and their governments still have the greatest bearing on the world's security and economic environment. So, Australia depends on the strength of its bilateral relations around the world to advance its national interests. The greater part of the day-to-day work of Australia's foreign and trade policy is bilateral advocacy – working to influence governments and others to take decisions that suit Australia's as well as their own interests.

Bilateral advocacy and co-operation are fundamental for dealing with global and regional issues. The market access outcomes of the Uruguay Round of multilateral trade negotiations, for example, are essentially a series of bilateral agreements. In the war against terrorism, one of Australia's main objectives is to encourage other countries to put in place the laws and develop the capabilities needed to deter and deal with terrorist groups. Australia's bilateral, regional and multilateral policies are mutually supportive means to a common end – advancing the national interest. They are not alternatives to each other.

Judgements about priorities are crucial. Not all of its bilateral relations are equally important for Australia. Not all regional associations or multilateral activities will enhance the prosperity and security of Australians. In the United Nations, Australia, like all other members, operates selectively and focuses its effort on the issues most directly relevant to its interests. In a complex and fluid world, with an enormous and growing international agenda, each country has to be pragmatic and clear-sighted about which relationships, which issues and which multilateral activities are most likely to advance the national interest. In this respect, Australia is no different from other countries.

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## **1.6 AUSTRALIA'S INTERNATIONAL ECONOMIC LINKS**

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The domestic strength and vitality of Australia's political and economic institutions has placed the country to meet effectively the challenges of an increasingly globalised and fluid international environment. The country's national economic performance and other domestic strengths have a large bearing on its international standing and influence.

Australia's prospects have always depended on its international economic links. A large part of its wealth is based on international trade and investment. Australia's mining and agricultural industries evolved on account of their access to international markets. Australia's domestic industrialisation has been possible largely because of foreign investment and the international trade that flows from it.

In the past two decades, Australia's trade and investment links have become stronger as a result of extensive economic reform. Barriers to trade have been lowered. Broader reforms have enhanced productivity. Productivity growth in Australia during the 1990s was the second highest among developed economies after Finland. Factors that have encouraged investment are deregulation, tax reforms, the strengthening of competition policies, a more flexible labour market, more efficient provision of infrastructure, and low and predictable

rate of inflation. The strong economic performance resulting from these reforms has enhanced Australia's international standing. So much so, Australia today is one of the best-performing developed economies in the world. Over the past decade its average annual GDP growth has been around 4 per cent, one of the highest among developed economies.

Privatisation, corporate governance and tax reforms have helped deepen Australia's capital market, and have facilitated shared, ownership. These reforms have also encouraged greater international investment in Australia, further deepening its capital markets. Australia's ranking in the world equity markets has climbed to ninth, thanks to which international investment funds are placing a greater proportion of their funds in Australia's capital markets, further enhancing liquidity and reducing borrowing costs for business.

Australia's increasing integration into the global economy and the prosperity that flows from it depend vitally on stable and open rules and arrangements that protect and promote trade flows and finance. So the government works to overcome the barriers that Australian exporters face, through the World Trade Organisation (WTO) and bilateral and regional arrangements. Together it works in concert with other governments to ensure the stability and soundness of global trade and financial systems and to build a more open and transparent global business environment.

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## **1.7 SECURITY LINKS OF AUSTRALIA**

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The security of Australia depends in large part on the quality and vitality of its key alliances and defence, intelligence and police partnerships. Australia's strong security capabilities have reinforced its confidence to deal with countries in the region and beyond. The country's technologically advanced armed forces make Australia a significant and recognised military power in Asia and the South Pacific. Its decisive and effective leadership of international action in East Timor and the range of its contributions to the war against terrorism have not only attracted international attention but also regional support.

The war against terrorism has underlined the importance of Australia's other defence and law enforcement relationships, particularly with the countries of Asia. The very good co-operation between Australia and Indonesia in the joint investigation of the terrorist attacks in Bali showed the value of such links. Australia in recent years has endeavoured to strengthen further these relationships. They facilitate co-operation on security issues, particularly terrorism, international crime and the spread of weapons of mass destruction, including strengthening the capabilities of regional countries against such threats. And extensive training, bilateral dialogues, joint exercises and intelligence exchanges promote greater transparency on defence issues, thereby reducing the risk of misunderstanding and dispute.

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## **1.8 AUSTRALIA-INDIA CONVERGENCE**

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In recent years there is manifest evidence of an evolving geopolitical convergence between the two countries. Not only there exists mutual recognition of overlapping strategic security interests but also greater willingness to engage in direct bilateral and regional security forums. Cognisant of these imperatives, both Australia and India had initiated beginning in 2001 a series of strategic dialogue encompassing a wide-ranging number of issues such as regional and maritime matters and strategic and defence planning.

The reasons are obvious. For one, today, half of the world's maritime trade transits through the Malacca and Lombok Straits of which the volume of trade of both the countries is no less significant. For another, the innumerable smaller islands in the Indonesian archipelago provide sanctuaries for arms dealers and contraband merchants. Therefore, protecting the sea-lanes for the safe passage for commercial vessels and patrolling the high seas for drug and human cargo traffickers have become imperative for both Australia and India in the region.

The economic liberalisation unleashed by India beginning in the 1990s has also given impetus to the growth in bilateral relationship. The onset of economic reforms in the 1990s has helped reinvigorate trade flows and led to a marked increase in the relative importance of bilateral trade. Major Australian exports to India

include non-monetary gold, coal, copper ores, and wool. India is Australia's third largest market for cooking coal and its fifth largest wool export market. Recent years have also seen substantial increases in Australian exports of so-called elaborately transformed manufactures including mining equipment and electrical machinery. Australian merchandise imports from India include pearls and gems and textiles. Potential exists for Australian exports in thermal coal, cooking coal and possibly for gas (LNG) along with agricultural exports of fruit and vegetables and wheat. There is also increasing recognition in Canberra that India's economic ascendancy is likely to have significant implications for Australian international economic policy. This trend is already apparent in terms of international trade policy. India – along with several other major developing countries – has played an important role in the Doha Round. The Australian trade negotiators will increasingly have to factor in the views of India and other major emerging markets in multilateral trade negotiations which will also have implications for strategy, including the future role of Australia-led Cairns Group.

Post-'9/11', the threat posed by terrorism is well understood by Canberra. Its participation in the Gulf war in the US-led coalition has obviously heightened further Australia's concerns. In the past, Australia was never convinced on what India had always claimed that 'cross-border' terrorism as a real threat to its national security. However, the series of terrorist attacks beginning with the Bali bombing, Australia has revised its stance. The White Paper issued by its government in July 2004 did acknowledge that national borders clearly could no more define terrorist threat, as terrorism is truly a transnational phenomenon. Meanwhile, in 2003 Australia signed a MoU with India just as it did with other countries of the region for monitoring and sharing intelligence on terrorist activities. In early March 2006 and a multiple number of agreements encompassing an array of subjects were signed. Of these, one that merits mention is the MoU on defence co-operation between the two countries broadly covering areas regarding exchange of views on security and defence related matters, training, maritime co-operation, defence industries, defence research and development. The MoU also envisages setting up of India-Australia Joint Working Group on defence for guiding and monitoring the on-going defence co-operation between the two countries. These most recent Australian initiatives in forging bilateral defence engagement are significant.

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## 1.9 SUMMARY

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Australia's economy is deeply enmeshed with international trade and finance, be it in Europe or Asia. Australia also depends on the quality of political, defence and intelligence partnerships with the outside world and recognises the need to do so. Maintaining a productive interplay between these two spheres of international affairs – close engagement with Asia on the one hand, and the basic Western make-up of Australian society and its institutions and wider international associations on the other – are clearly the parameters of Australia's foreign policy. Australia has been striving to adopt an independent posturing in world affairs devoid of vestiges of the Western alliance system. Australia will increasingly find itself in situations where it will have to consider foreign and trade policy less in geographic terms and more in terms of developing functional affinities with countries and groups of countries with which it shares specific interests. Two principal innovative trade policy measures that Australia spearheaded in the 1980s were GATT and APEC. Australia depends on the strength of its bilateral relations around the world to advance its national interests. Australia's bilateral, regional and multilateral policies are mutually supportive means to a common end – advancing the national interest.

Australia today is one of the best-performing developed economies in the world and its increasing integration into the global economy and the prosperity that flows from it depend vitally on stable and open rules and arrangements that protect and promote trade flows and finance. So the government works to overcome the barriers that Australian exporters face, through the World Trade Organisation (WTO) and bilateral and regional arrangements. The security of Australia depends in large part on the quality and vitality of its key alliances and defence, intelligence and police partnerships. Australia's strong security capabilities have reinforced its confidence to deal with countries in the region and beyond. There is manifest evidence of an evolving geopolitical convergence between Australia and India.

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## **1.10 EXERCISES**

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- 1) Write a short note on Australia's domestic strengths.
- 2) Assess Australia's standing in the Asia-Pacific region in recent years.
- 3) Sketch the Australia-India economic and security relations since 1990s.

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## **1.11 SUGGESTED READINGS**

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Forward, Roy (ed.) Public Policy in Australia (Melbourne: Cheshire, 1974)

Trood, Russell (ed.) The Making of Australian Foreign Policy (Brisbane: Griffith University, 1997)

Mediansky, F. (ed.) Australian Foreign Policy into the New Millennium (South Melbourne: Macmillan, 1997)

Smith, Gary, Dave Cox & Scott Burchill, Australia in the World: An Introduction to Australian Foreign Policy (Melbourne: Oxford University Press, 2001)