



## **Evolving ANZUS: A Conversation with AIIA National President and former ambassador Kim Beazley**

By Fergus Hanson<sup>1</sup>

Kim Beazley is one of the greats on the Australia-United States relationship. He was well into his sixth year as Australia's Ambassador to the United States when we sat down to discuss the relationship in the American summer of 2015. He came with a lifetime of practice engaging and building the relationship as Leader of the Opposition, Leader of the Labor Party, Deputy Prime Minister and a host of other Australian parliamentary positions.

His knowledge was instinctive and innate: a single question on the history of the alliance yielded a 25-minute, unbroken reply that traversed the detail of the relationship across a century. It was also learned: his giant office desk was stacked to overflowing with bookmarked texts and articles on the relationship, and an adjoining room was filled with alliance-related toms he handed out to visitors.

**Hanson:** Broadly, how would you characterise Australia-United States relations during the ANZUS era, and would you identify any particular evolutions in the relationship over that period?

**Beazley:** Weak theories of history suggest a straight line of progress in an upwards direction, leading to a conclusion at the end point which satisfies the liberal and democratic mind. It doesn't apply. It doesn't apply to anything, and it doesn't apply to this. In many ways, the ANZUS relationship is a circular thing. It waxes and wanes. It's generally determined to some extent, obviously, by what is the character of international politics at that point. And it's changed its characteristics, evolving both with the different geopolitical circumstances, with different technological capabilities, with different characteristics in relationships between Australia and other allies. It's been a rich, movable feast.

At its outset, it was a reflection, in part, of the concerns that Australia had exposed during the Second World War. There was a determination - having been so long a part of the Imperial defence system—to back it up with somebody who'd proved more reliable in the conflict that had just arisen. But it still was, in many ways, particularly in Menzies' mind, subordinate to the Imperial commitment. So if you actually look realistically at the 1950s, while there was a domestic anti-Communist Cold War debate in Australia, externally Britain was the reference point. In many ways, Menzies—it would be wrong to say "held the United States in contempt", he didn't—but they were not quite right. There was an embarrassing imbroglio between Menzies and the United States over Suez, for example, where essentially Menzies was the fall guy for Eden and the French in their discussion with Nasser. Eisenhower was obliged to discipline the British, and in the process discipline Menzies, who'd been the British Emissary to Nasser at one point in the conflict.

---

<sup>1</sup> Fergus Hanson is a non-resident fellow at the Brookings Institution.



Then after the Vietnam War Casey and Eden were more like “dear Dulles<sup>2</sup> is the bull that carries the china shop round with him, and perhaps we need to find some way of calming these Americans. They may go nuclear in the event of the French pulling out of Indochina. So how about we do SEATO [the Southeast Asia Treaty Organization]. SEATO will give us an opportunity to constrain any ebullient behaviours on the part of the Americans”.

To my mind, the modern American alliance did not begin with ANZUS. To my mind, the modern American alliance is a creation of the sixties. It's a creation with a temporary aspect and a permanent aspect. Its temporary aspect was the coincidence of American interest in Southeast Asia at precisely and coincidentally with the British decision to withdraw their presence east of Suez.

As the British moved to exit the region as the Malaysian emergency wound down, as the confrontation with Indonesia wound down, the Americans appeared to be preparing to engage more deeply in the region. That was quite a critical sea change in the Australian public mind. It was at a point in time when the then-Liberal government got quite uncertain about directions, and for the first time started to seriously contemplate defence self reliance in Australia. They started acquiring an awful lot of military kit in the 1960s. We think it was for the Vietnam War; it wasn't. Neither was conscription for the Vietnam War. Basically, these were events calibrated in the context of a difficulty with Indonesia—the pre-Suharto Indonesia. So the relationship with America had to be seen very much in that context. Here we have the United States prepared to buy into Southeast Asia. What must we do to support them?

First, we do the team in Vietnam, then we do the augmented brigade in Vietnam. But that's temporary. That does not last beyond the Nixon doctrine, which in 1969 declares the region in which the Americans had been operating, and still operating but running down, as one of those zones of the globe where the United States expected its allies to help themselves in the first instance, and declared it not a flash point in the Cold War. The United States would focus on the flash points. That wasn't Southeast Asia. It was North Asia. It was the Middle East, it was Europe. So that element of the burgeoning closeness in Australian-American relations went onto a backburner, but the other element didn't.

The other element was a decision made by [Defense Secretary Robert] McNamara, to rationalise and massively increase US nuclear forces. McNamara is the guy who decided that it must be a sort of tripod, and rest on three legs: bombers, missiles, submarines. In the 1960s it introduced an array of technological problems for the United States—technological problems related to communications, targeting, early warning and comprehension of the forces arrayed against it. On all those fronts, the United States discovered that Australia had a geographic peculiarity that made its relationship absolutely central. At that point of time, and for the first time in the alliance relationship, the underpinnings

---

<sup>2</sup> Secretary of State John Foster Dulles.



were something other than rhetoric, but solid, material, inter-relationships of a military character, which came to be the principle features of the alliance.

To a great extent, it hasn't changed since. Even though these things must maintain high levels of secrecy, and they've changed their quality to some degree. Northwest Cape, for example, was the first of them, it was communications and ballistic missile submarines—I began the process of bringing them under Australian control, paradoxically, because that had been the issue which had split the Labor Party at the 1963 conference. We finally negotiated it, but Northwest Cape has assumed importance for other things as well, more recently related to space. It is still used for communications with submarines, but mainly with our submarines. American ballistic missile submarines don't operate in the Indian Ocean anymore, but they did then. There are other facilities as well, and we're moving on to a new generation of facilities, the space-based facilities. That is really in many ways the guts of the military arrangement. Other things build on it. The point I'm making is there was a sea change in the alliance in the 60s and it's had its various manifestations, albeit adjusted by technological change, ever since.

However, there was another adjacent phenomenon: Australia lived in a strategic backwater. Not much mind was paid the relationship with Australia on a day-to-day diplomatic basis. Australia has enormous space and can commit to all sorts of things in pursuing a foreign policy, with a trajectory not always making Americans happy. This was the experience really of the Hawke government. It was a very unusual period in the Australian-American relationship. You had the anchor solidly protected against assaults, domestic and foreign, particularly after the nuclear ship visits issue in New Zealand. A lot of agitation: the Easter demonstrations against Pine Gap, all that sort of stuff was flowing through in the eighties, but then great solidity by the government on not moving on the joint facilities. But, that's ancillary in many ways to the main thrust of Australian policy, which is towards the creation of APEC [the Asia-Pacific Economic Cooperation], the use of the Commonwealth and the resolution of the fears in South Africa, the creation of South Pacific nuclear free zones, the initiative into Cambodia, to secure a settled, stable peace, lots of UN peacekeeping activities: we sent a battalion to Somalia, tried independence for Namibia. This is all very much Australian, and much of it either the Americans are indifferent to, or somewhat worried about. In the end, the American position is: "Well, so long as they're solid on the joint facilities, who cares what they do? It's not an area of the globe that worries us particularly."

In the 1980s, we are, at the same time, devising a strategy for the self-reliant defense of Australia. Again, the Americans are quizzical about that. Again, they don't like certain features. For example, the Dibb Report, which suggests that if general war broke out, the conventional phase would rapidly assume the nuclear. That seems, in the minds of the folks that run the seventh fleet in Hawaii, as rather rendering their entire rationale for existence and strategy irrelevant. This is something that causes them concern, this view about self-reliance. When we point out to the Americans, this is the direct product of an ally implementing its side of what the Nixon doctrine meant for it, there's a sort of



discomfort in the United States confronted with the logic of their own strategic perorations. There's a tenseness there—not a hostility, but a tenseness—as we move over to defence self-reliance.

There is also a paradox in the move. The paradox, which becomes a dominant feature of contemporary relations, is if you're going to be defence self-reliant, you've actually got to be able to punch somebody's head off. If you're going to be able to punch somebody's head off, you have to have the equipment to be able to do it. Who produces the equipment? At that point of time, back in the 1980s, there was a bit of an even contest between military goods produced in Europe and goods produced in North America. We could be quite comfortable buying an Austrian rifle instead of a Colt rifle. We could be comfortable—even though the Americans didn't have an equivalent on sale—we could move over to Swedish submarines. We could look at a German frigate, in the MEKO class. In the 1980s, all these things were sensible options.

Then in the late 80s and early 90s, with the Revolution in Military Affairs, the United States goes exponentially ahead of the pack in military product. At the same time, you get a sense in Australia that perhaps instead of looking at a range of military providers we want to look exclusively to the Americans, and to start considering things like interoperability. We ought to start to pay some mind to evolving American strategy, because we need the American goods.

In 1987, when I do the defence white paper, Australia's GDP is greater than that of the Association of Southeast Asian Nations (ASEAN) combined, and was probably pretty close to China's. Now, these days, Indonesia's passing us alone on GDP. The world is different. Our defence posture, our defence situation, our geo-political position has changed dramatically. The old Soviet mode of international political analysis was to talk about the correlation of forces, not the balance of power. The correlation of forces in the Asian region at that point is moving decisively against Australia and so, we come into another phase.

Unlike the 1980s, in the next phase, as we look at our region, we actually have to seriously contemplate what are the Americans doing? Are we aligned with what the United States is doing? Is the relationship healthy? Does it have the underpinnings to sustain it both here and elsewhere, where our interests are engaged, and in a way whereby we make a real contribution?

The world now looks very, very different. It looks different on the fiscal front. It looks different on the technological front. It looks very different on the geopolitical front, in this sense: whereas, in the 60s, 70s, and 80s we're a backwater in Southeast Asia, we are now the anchor in the southern tier of the focal point of the global political system. So no longer are we secondary in the American mind. We are now primary. And we are not primary simply because we provide a piece of real estate useful for the location of systems related to the central deterrent. We are valuable in ourselves, and our location combined with what our orientation is as a nation has suddenly become important to the United States, whilst at the same time, all these technological changes have made the United States more important to us.



What's the upshot of all of this? Well, the upshot is, we spend \$10 million a working day in the American arms industry, and our armed services are increasingly getting into a situation where they're twin-hatted. On the one hand, they've got to defend Australia and its approaches, on the other hand, we need to be interdependent with the United States. It used to be interoperable. Increasingly now, the word is interdependent. Interdependent means that the United States may, from time to time, call upon us to provide a capacity, or actually utilise our capacities. I know the Marine Corps is looking with great enthusiasm at the new LHDs [Landing Helicopter Dock]. They do not believe they have enough Marine flat-tops operating now in the Pacific area. Guess what? We've got two. You'd almost find yourself in the process of wet leasing one of those two flat-tops to the Marine Corps, on the odd occasion. That's just an example.

The other will be niche provision, collaborative arrangements with the United States on submarine deployments. Our submarines are best suited to the shallow waters of the South China Sea, their big nukes for long distance operations, but you could see the two operating in inter-related fashion in the South China Sea. So, we're into a different era now. We're into the era of relevance. Relevance across the board.

There is one other aspect to it, which nobody talks about, because it is fundamentally on the right and left of Australian politics. There is a desire to talk about enmeshment with Asia, above all, balancing relationships with China, and that sort of thing. That is the intellectual ambiance of the Australian commentariat, and of Australian strategic analysis. Mostly it's simplistic. The trade waxes and wanes, as we are now seeing. We're probably going to be in a situation—it depends on all sorts of factors—but if the gas prices and the increase in gas production that we are seeing continues on the current trajectory, Japan will probably, in 10 years time, be our main trading partner in Asia again. The prices that we are now getting for our product in China, which rendered us so starry-eyed a decade ago, have now collapsed permanently. We're back on the trajectory we were on in the 1980s, when we used to argue that you had to develop the Australian manufacturing industry because our primary product would be devalued as a driver of Australian exports, as the decades proceeded.

We got that completely wrong. But we may be back to that now. If that is the case, it's not so much what we produce from our mines, which ends up perforce in North Asia, at one of the destinations there. It's what we produce in our heads, and that relates directly to what people invest in. The last decade has seen the United States go—our principle investment partner—go in that direction exponentially. American investment has more than doubled in Australia over the last 10 years. Direct and indirect investment is now up to \$690 billion, two or three times what it's invested in China, and probably about seven or eight times what China has invested in Australia. Our investment in the United States is now at \$470 billion.



These figures reflect the security Americans have in Australian superannuation funds as a location of investment in the main, but secondarily, the niche opportunity for Australian inventiveness. If you want to develop an Australian good idea, given the paucity of risk capital in Australia—paucity in part induced by superannuation rules—then you basically have to come here [the US]. You've got no choice. Australian companies in the thousands are coming now to the United States, where they become niche producers of interesting items, or they join, both here and back at home, an American supply chain. That's seen most dramatically, of course, in American military equipment. It's also applicable elsewhere as well.

As we chatter away about Asia and China, gradually you see the American-Australian capitalism voting with its feet, integrating itself with the American economy. So you now have two classes of capitalist thinking in Australia. You've got the West Australian-Queensland ambience, the comprador capitalist view of the world, which focuses intensively on the Chinese, the Japanese, the South Korean operation. And reasonably so, because that's their market. That is vocal capitalism. That is the capitalism that dominates the media, that dominates the chattering classes, that dominates the strategists at ANU and the rest of them. Then you have the Australian capitalists. They work for a living. These are the poor bastards who put their ideas out there, develop them into products, and look for somebody who will develop them, and not steal their intellectual property. Not easy to find such people. There's only one location really where one can find them in a fully trustworthy place. Guess where that is? That's the New South Wales story and the Victorian story. Unusually, given that New South Wales and Victorian political classes are even better bleaters than the West Australians and Queenslanders, it's amazing they haven't cottoned onto this yet. No doubt they will one day. And they'll suddenly see that the people around them are actually doing value added work, are driving job opportunities for their kids and have all got an American base.

**Hanson:** Every state vies for attention in Washington. The concrete outcomes that have been achieved by Australia suggest we do better than most. Would you agree with that assessment and, if so, what has been the key to achieving this? Would you say that there is a special intimacy that distinguishes the relationship?

**Beazley:** Look, I think this has varied over time. The hard thing is to get down and calculate those variations. In many ways, I don't think we bat as effectively as we did in the 1950s or, if we are, we're just catching up with where we were. In the 1950s, we were a big deal around this town. The secretary of state would turn up two or three times a year for dinner at the Australian Embassy. The Queen, when she came across here would come, not all the time obviously, but once or twice would come and visit the Australian Embassy.

I think the reason was the much smaller diplomatic community. That was still the era of colonialism, so there were only a few embassies around. Australia had built up a good war reputation. It had competent diplomats, like Sir Percy Spender, who could build on that and had created the ANZUS agreement. We





were, ironically, in a position where we were more aligned with British than American policy in the 1950s. Indeed, we had some queries about American policy, particularly in Asia and the Middle East.

In the 40s and 50s Evatt was a dominant man at the United Nations. Evatt and the Australian Government had a material role in the creation of Israel and in the creation of independent Indonesia. Indonesia used us as their spokespeople in the conclusion of the war. Evatt had a big role in the legal structure of the United Nations. If you take the 40s and 50s together we probably were at a level and intensity of influence that, when it came to the 60s and 70s you'd say we were receding.

In the 60s, there were the joint facilities, the Vietnam War, the retreat of the British from positions east of Suez that produced an intimacy to the relationship without necessarily an identity. A really good book has just been written recently on the fight between Nixon and Whitlam, over Whitlam's attitude to the conclusion of the Vietnam War and, more broadly, his view about foreign policy in general in the region. It's a book which is absolutely laced through with access to American archives and very substantial statements of hostility. Yet, when you go to the memoirs of Nixon and Kissinger, we're not there at all, not there at all. Yes, these things took place, but did they have any saliency? Not a bit of it.

During the 80s, we did punch above our weight, but not in the context of the alliance relationship, actually, aside from it really. I think one of the things that the Hawke government worked out and the Keating government picked up to an extent, (but Keating was nowhere near as mentally encompassing of the global system as Hawke was, or at least in global diplomacy) was the sudden recognition that: "Hey okay, we have got this adjacency of relationships with the Americans. We identify what's at the heart of it. What is at the heart of it is those joint facilities. They must be preserved and protected. The attitudes of Australian pacifists must be stiff-armed. We have no truck with the anti-nuclear movement, et cetera, but we want space. We want space to do things."

These are the things that you then identify as punching above our weight. You can tick them off. Punching above our weight with the eminent persons group in changing the character of things with South Africa—nothing to do with the Americans. Punching above our weight on the peaceful settlement of Cambodia—done with American disapproval and Chinese disapproval. The Americans in particular were wary about offending the Chinese. The Chinese were devoted to the Khmer Rouge. The Chinese tend to take a fairly cold view of human rights abuses and the like elsewhere. That's not part of their leitmotif. They were prepared to wear the Khmer Rouge in a way that the Vietnamese weren't. It was very much an Australian initiative that talked Southeast Asia into doing something about Cambodia.

Related to the eminent persons group and the solutions in South Africa, there was a substantial role we played at a decisive point in time peacekeeping in Namibia. Then there was the South Pacific Nuclear Free Zone. There the negotiation was not something for which we sought American approval. We had



to seek American facility. We had to sit down and work our way through the agreement so it didn't prohibit the movement of American warships in the zones. They were very sensitive to what had been done with the Kiwis.

There was the creation of APEC, which we inconveniently forgot the Americans in the first instance and were brought up quite sharply on that subject and immediately corrected.

It all came together in the Kuwait War, and a little bit prior to the Kuwait War. The Kuwait War mixed the American alliance on the right hand side, United Nations internationalism on the left hand side, and melded them together. The rationale was both within the framework of doing things alongside your ally, where your ally's heavily committed, but upholding the proper application of the collective arrangements of the United Nations at the same time.

A little bit earlier than that, we had the situation in the Persian Gulf of the tanker war phase of the Iraq-Iran War. Now we had got ourselves earlier engaged in a manifestation or outgrowth of it with the setting up of the Australia Group negotiating the delimitation of chemical weapons, another initiative of the 80s, in which we were carving out space for ourselves. The Americans weren't discouraging of that, but the pointed character of that general UN type initiative was that the orientation was a little more pro-Iranian than pro-Iraqi because the Iraqis were the ones that used chemicals most extensively. But when it came to the tanker war that was really concluding it in a way that forced the Iranians to change tack and agree to a truce of sorts with the Iraqis. In that instance, as the Americans decided they'd engage heavily in the Persian Gulf, we decided that we'd give them a flag by deploying Australian divers.

You've got all of these sorts of things rattling around in the 80s. It's really quite big. You can identify them as Australia punching above its weight. In that context, it's how the relationship with the United States was managed alongside it, rather than seeing it as an outgrowth of it.

The event foreshadowing what the current era would be like was the Kuwait War. That transitioned us to an era in which we have the greatest level of dependence on the United States since World War II. As the region around us surges, we have a much greater dependence on them to provide us with the sort of kit, intelligence and the like that ensures our long-term survival.

When we seek space now, it's not space for initiatives out there, though the previous Labor government did a bit with the G20. The G20 could almost be seen as the last gasp of the 80s more than a representative example of where we are at the moment. Where we are now is vastly more influential with the United States than we've ever been in terms of punching above our weight. Whereas we punched above our weight outside the alliance context in the 80s, we now have to do it inside the alliance context. The price we have to pay to be able to do that effectively is much, much higher than simply providing the Americans with a flag.





We've gotten used to the idea, perhaps since that tanker war when we put a few divers and to a degree the Iraq and Afghanistan wars, where we provided a useful niche, of not providing real heft. We haven't really provided heft since World War II. We were big contributors to MacArthur's command. We were big in the fight with the Japanese in New Guinea and the islands. We were a big element of the spear of the British army in 1918. We've never really matched those strategically or militarily.

We may be approaching that now in Iraq though. We're the second biggest contributor and, per capita, a much heavier contributor than the Americans. We'll see. This is going to be a long war if it doesn't go completely foul. We may be at another sort of sea-change point at the moment.

**Hanson:** As a former Labor party leader, you've served here in Washington for the entire term of the Coalition government, including having your posting extended. Why is it that this relationship is so bipartisan? Do you see that changing at any point in the future?

**Beazley:** It is bipartisan in fundamentals. Both the Labor party and the Liberal party are committed to its continuation. It's very interesting that the period of peak left influence in the Labor party was after the Hobart Conference in 1955 when they passed a 17-point platform, which was supposed to be Left, overturning the character of Labor party policy up to that point. When you actually examine the content of it, its essence was anti-British. The American part of it was just seen as part of the passing parade.

It was the British connection in the 50s that raised the debate in Australia. Should we be committed in particular to the conflict in Malaya? Should we be protecting the British interests in the Middle East? Americans didn't really feature. They didn't really start to feature in fact until the build-up phases of the Vietnam War. Even the first commitment of the team in Vietnam in 1962 was a commitment which was supported by both sides. It was the Vietnam War that created a question mark over what bipartisanship really meant, because in the Vietnam War, the Labor party, not initially, but ultimately, came to define the alliance as sustainable whilst extracting from Vietnam.

I think if Whitlam had won in 1969 with that policy, it might have been a bit more problematic than we think. Instead he won in '72 and by then, nothing of that sort mattered really. He had a blue with Nixon in which Nixon got extremely annoyed with him, but not memorably enough to bother with in his memoirs (he might have bothered if it was in '69).

There are always qualifications. The Labor party will always tend to qualify levels of commitment with sovereignty issues. For example, in the 80s, when I came in as defence minister we had a bases policy. The basis of that policy was that the joint facilities performed really valuable functions in the global political system at the time. We had emphasised their crucial character to arms control arrangements and strategic balance. You could, if you wanted to, emphasise their



crucial character to American nuclear war fighting capability. We chose not to talk about that. Liberals were not quite so delicate.

The sovereignty thing was a serious problem. We were able to bring the two together, but it was a private rather than public matter: no song and dance made about it. We did it by basically negotiating Australians into all the functional features of the joint facilities to the point where in Nurrungar [Joint Defence Facility] it was being run by Australians and at the end of it, a process put in place where we ran the Northwest Cape entirely. I don't think you'd ever have seen that negotiated by a Liberal government. They would never have taken those sovereignty issues that seriously.

Now you go to Howard's era. We're both bipartisan committed to the US alliance, but the Iraq War breaks out and there's disagreement between us whether or not that should be supported. In the case of the Labor party, it didn't matter. We weren't in office. Had I been elected in 2001 that would have been an interesting discussion with the Americans because we thought the Iraq idea a very, very bad one. In that period of time, if I'd had to have that sort of conversation with George Bush I'm not sure the relationship would have ended up as cheerful as it did with John Howard. Anyway he was elected and Howard and Bush were probably the closest that American and Australian political leaders have ever been.

Rudd was pretty close to Obama, but Obama is a cerebral guy. He doesn't viscerally engage, certainly not with foreigners. He gets on, but he's not like Bush who really is constantly looking for blood brothers, and certainly found one in Howard. Probably even more than Blair because... Blair was certainly close, but he was an oddity. There was an ideological disjuncture there between the two of them and their world outlooks, even though there was proximity on Iraq. With Howard it was totally *ad idem* on world outlook. Rudd and Gillard were *ad idem* on world outlook. Abbott is not—with disagreement on things like climate change and the like—but Abbott's come in at a time when war's hotting up and his very forward leaning attitudes on the Middle East are pretty impressive to Americans.

**Hanson:** Moving now to the future challenges we face in our diplomatic efforts, how do you see Australia balancing the rise of China and our long-term alliance with the United States, in particular how are both sides of Australian politics likely to respond?

**Beazley:** We intellectualise it too much. We worry about it like a dog with a bone. We worry with incomplete perspectives and information. The Americans know much more about China than we do. Their relationship with China is much more intimate than ours. I mean by that, across the board. They have people in their think tanks here [Washington DC] who routinely, four or five times a year, turn up in China and chat away to senior Chinese leadership past and present. There's only one Australian who does that and that's Kevin Rudd. Nobody else has that level of access in Australia, but we do pontificate on it.



When I bring Australian experts over here I put together a dinner. We've got a China stable here of about 15 people. We run them through our dinners when we're discussing China, about four or five at a time. They're very polite Americans, much more polite than we are. They do get surprised that while the Australians think quite well, they don't seem to know. Americans think that you've got to know these people. You've got to talk to them. You've got to have a conversation with them to get a perspective. We don't. We have really good knowledge of China in the broad and of distant observation of Chinese leadership and deep understanding of history and discern motivations from that understanding.

The Americans actually know, and they know which questions to ask. It was also pointed out to me that, "Really you fellows don't deal with the Chinese. You sell them things that they want." The easiest point of intersection with the Chinese is when you sell them things that they want. The hardest point of intersection is when you're telling them that you're going to be in their market. If they want the access that they've got to the United States that's so vital to their prosperity, you want a decent investment policy there. They still haven't got an investment agreement with the Chinese, but the Americans are belting the Chinese around to get one.

We have two-dimensional agreements, like the Free Trade Agreement. The Americans want an investment agreement that protects their IP and lets them get profit out of there and doesn't have their firm stolen from or simply overtaken without compensation, which is a bad Chinese habit. We don't have a dealing with the Chinese at bad habit level, or very little of it. The Americans deal with China at all aspects of the bad habit level.

We get a bit surprised when there's a cyber-attack on the parliamentary system or something like that. We tend to be a bit reserved about expressing our disagreements. When the Americans experience it, which they frequently do, they kick the Chinese right up the bum. It's a problem of discussion at the moment. The Americans have levelled charges at five Chinese spies for one set of computer outrages. We hang back. We are timid. We're quite timid in the face of China. We also know the Americans know more than we do, that yes, we are not really a frontline state with China like the states in the South China Sea. We're a second tier state. We have a level of safety. If we want to exert the space, we can. We have a base realisation of that. That permits us to not completely collapse in the face of Chinese pressures and to incorporate into our discussions with China that we have a relationship with the Americans that goes way back. Generally speaking, it's been quite copacetic with Chinese interests.

You're into something important here. This is a real worry. In a sense it's a fake debate. Sometimes you can have too much of a debate. Sometimes you have to say, "Listen. What our objective is, is to maintain a reasonable relationship with China and a strong relationship with the United States". Quite frankly, this is not a matter of choice. It's a matter of common sense. You just get on with it. Stop asking the question. Do the job. You have to get to that sort of sentiment.



There are slothful people in every society and there are a lot of people who make money essentially out of commentating on this sort of stuff. So they'll keep on commentating and commentating. Sometimes it does create a situation where you cannot see the wood for the trees. We talk to China and Asia all the time and I think it's very important that we do. It's very important that we get it. That's where our security is. It's important we get our economic strategies in the region right, but we're missing the fact that slowly, steadily—and there are things that could disrupt this—the Australian and American economies are being integrated, and we don't know that. Even though all the Australian premiers turn up with their businessmen for good trip-o's to China and the like and think they've achieved something the reality is only the Queenslanders and West Australians do.

---