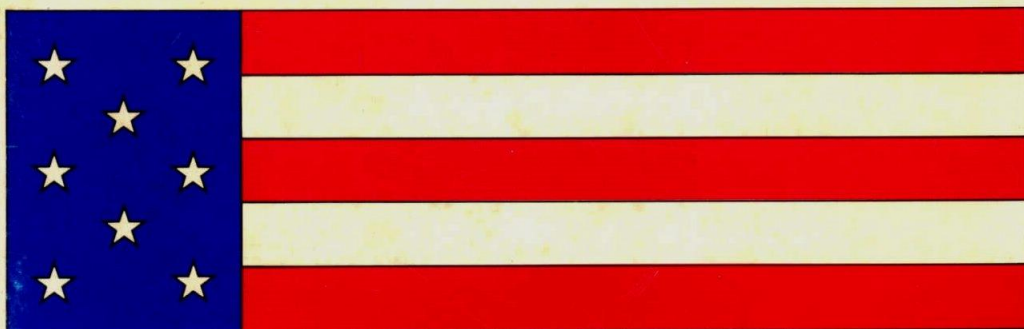
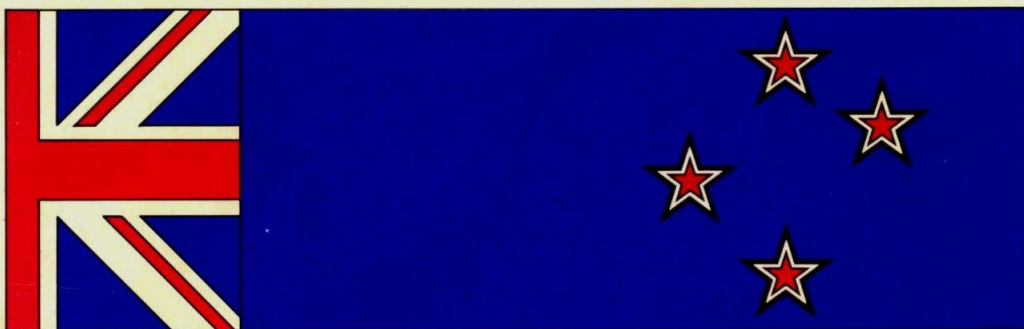


# AUSTRALIA, NEW ZEALAND, AND THE UNITED STATES: FIFTY YEARS OF ALLIANCE RELATIONS

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REPORT OF A STUDY PROJECT



EAST-WEST CENTER

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# AUSTRALIA, NEW ZEALAND, AND THE UNITED STATES: Fifty Years of Alliance Relations

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Report of a Study Project

Richard W. Baker  
Project Director



East-West Center  
International Relations Program

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## PREFACE

From 1988 through 1990, the East-West Center in conjunction with the Australian Institute of International Affairs and the Institute of Policy Studies in New Zealand conducted a study of relations between the three ANZUS states during the period of their alliance. The purpose of the project was not to examine the workings of the security alliance per se, but rather to look at the changes in the overall relationships between the three countries over what is now a half century of cooperation.

The project was divided into three phases. The first looked at social and political changes in the three countries and the impact of these changes on relations among them; the second examined developments in their economic structures and relationships over the period; and the third reviewed their evolving regional policies. In each phase, teams of experts from each country prepared analyses of the individual country experiences, and the teams were brought together in a conference to compare these experiences and examine the impact on interaction among the countries. Participants were drawn from the academic communities as well as from government, business, and the media; a group of senior advisers from each country provided overall guidance throughout the project. The project organizers are deeply grateful to all these individuals for their assistance and contributions.

The results of each phase of the project are being incorporated in separately published volumes. The intention of this summary report is to present the major overall findings in a more condensed form. In this connection, however, I should stress that while this report was reviewed in draft by project organizers and participants from all three countries, the language and specific conclusions are my own and do not necessarily reflect the views of other participants individually or as a group.

The project was conceived by Dr. Charles Morrison of the East-West Center; the Center also provided the major financial support for the enterprise. Professor Gary Hawke, Director of the Institute of Policy Studies, served as New Zealand coordinator and was a major contributor throughout. Dr. Richard Higgott coordinated the first two phases for the Australian Institute of International Affairs; Mrs. Susan Allica and Dr. Michael McKinley shared these duties in the third phase. I would like to express my appreciation to all of these colleagues, as well as to the staffs of the three institutions for their invaluable assistance.

Richard W. Baker  
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## SUMMARY OF CONCLUSIONS

The overall conclusion of the project is that the "alliance era," in which security considerations dominated relations among the ANZUS states, is over. This is not to say that cooperation among the three countries, in security or other fields, is no longer relevant, but that both the context and the dynamics of the relationships have significantly altered. A principal question for the next period is the degree to which the mechanisms first established to manage alliance relations will be adapted to sustain effective cooperation on the new, broader agenda.

### The End of an Era

A number of factors have contributed to the transformation in the relationships among the ANZUS states:

- The end of the Cold War has capped a longer period of declining urgency in the perception of a common threat, the essential glue that brought and held the alliance together. The sense of threat induced the three governments to place security considerations above other national interests in decision making affecting the relationships.

- The visibility and priority of economic concerns have increased for all three countries. Although they agree on broad economic objectives, this is an area in which the three countries have independent and sometimes conflicting interests.

- The trend toward global interdependence and the resulting importance of international issues and institutions to national policy making has reduced the relevance of tripartite or even bilateral collaboration.

- The dynamism and growth of the Asia-Pacific region have reinforced the increasing importance to all three countries of their ties with this region, linkages primarily defined in individual terms.

- Most importantly, the sense of national identity and international role in all three countries has evolved over the period of the alliance. In particular, Australia and New Zealand have both developed a more distinctive and less insecure sense of their place in the region.

- Finally, the generation that experienced the events that produced the alliance relationship is now passing from the scene; the concept of alliance solidarity does not have similar resonance for the new national leaders in the ANZUS states.

As a result of these factors as well as other more specific experiences and events, relations among the ANZUS states are now both more complex and more fluid than they were at the start of the period. Seen against this background, the U.S.-New Zealand breach in 1985, although in one sense the product simply of historical coincidence, provides a symbolic as well as a practical demarcation point for the end of the alliance era.

The framework of formal tripartite collaboration has been broken, and the new era will be characterized by a wide-ranging but for the most part looser pattern of interactions.

### **Entangled Allies**

At the same time, the network of ties between Australia, New Zealand, and the United States is broad and deep, and has expanded significantly over the period of alliance. The interconnections among the three societies have probably long since progressed beyond the point where they are readily affected by short-term fluctuations in government-to-government relations.

Economic links have grown, at first gradually and then at an increasingly rapid rate, particularly following the Closer Economic Relations (CER) agreement between the Australian and New Zealand governments in 1983 and the broad deregulation programs undertaken by both governments shortly thereafter. The CER process is well on the way to making Australia and New Zealand effectively a single economic unit. Continuous heavy exposure of Australia and New Zealand to American popular culture throughout the period has begun to be at least partially reciprocated by growing counterflows in film, sports, music, and other fields. Educational interchange has built a large network of contacts in this important field. The tourism explosion has vastly expanded the circles of people in each country with direct, if often superficial, exposure to the others.

However, this picture is not completely comfortable. The intensity of contact between the societies still greatly exceeds the depth of mutual knowledge and understanding, and there are distortions in the information flows and resulting mutual perceptions on all sides. Feelings of vulnerability to external influences have triggered a degree of nationalistic backlash in all three countries that complicates policy making including on questions regarding the relationships. But the overall trend toward increased interconnections and greater interdependence does not seem likely to be reversed.

### **Dimensions of the New Reality**

*Political Dynamics.* The heavy emphasis on security matters in the dialogue among the three states throughout most of the post-Second World War period to a degree distorted both perceptions of the relationships and their management by the national political leaderships. In that sense, the declining role of security cooperation as the driving force in the relationships can open the way to more balanced perceptions of the relationships and more careful, sophisticated decision making on all sides.

Other fundamentals will not change. In the broadest sense, the relationships will continue to be dominated by the overwhelming differences in scale among the parties. The United States is a global power of 247

million people; Australia, a nation of continental size but only 17 million people and a correspondingly more limited reach; New Zealand, a geographically isolated island country of 3 million. Regardless of the formal equality between them, inevitably there is a high degree of asymmetry in such relationships. On all three legs of the triangle, the larger parties have a major impact on the smaller parties and are therefore a constant focus of attention. The converse is simply not the case, and the resulting potential for insensitivity or simple neglect on one side and resentment on the other imparts a continuing delicacy and a degree of emotional volatility to the relationships.

Another constant is that the conduct and content of relations among the ANZUS states are ultimately subject to the domestic political processes in the three countries. In the new context, however, other policy considerations including domestic political interests are likely to have more weight in decision making on all sides than the interests of the relationships. The perennial challenge to political leadership of making cooperative international undertakings work despite competing domestic pressures will be magnified.

**Security.** Close security cooperation among the ANZUS allies will continue for the foreseeable future, at least bilaterally between Australia and the United States on the one hand and between Australia and New Zealand on the other. At a minimum, the alliance will remain a useful insurance policy against a reversion to a more confrontational era or the failure of the new international order. Numerous practical elements of security cooperation—including the joint defense facilities in Australia—continue to play important roles in maintaining stability and deterring threats. The end of the Cold War changes but does not completely transform the regional security situation, and mechanisms for consultation, coordination, and the assertion of leadership on regional issues will still be useful in the new era. For these reasons alone, there is no impulse on the part of any of the three governments to do away with the alliance.

However, the alliance is not the central vehicle for the regional security policies of any of the three countries. The main focus of U.S. security interests in the Asia-Pacific region has always been Northeast Asia. In Southeast Asia, the American emphasis is on the development and expansion of bilateral ties with the nations of ASEAN. For Australia and New Zealand, direct contacts with the states of Southeast Asia and the South Pacific, either bilaterally or through such mechanisms as the Five Power Defence Arrangements with Singapore and Malaysia or the Pacific Forum, have a greater practical importance than collaboration with the United States or each other on security matters in these areas.

**Economics.** Economic issues will play a major and possibly dominant role in the relationships in the new era. Shared experiences, problems,

and interests have also created a broad common stake in and approach to the international economic system. The international role of the United States is of particular importance to the maintenance of a liberal international economic order, and U.S. economic conditions and actions directly and constantly impinge on both of the other countries, so U.S. policy and actions are therefore a major continuing subject in the economic dialogue among the three countries. However, a common stake does not necessarily translate into tight or tripartite cooperation.

There are also important areas of economic competition and conflict among the three. To some degree these can be mediated through the alliance framework, but for the most part they are not (or at least no longer) resolvable through appeals to the alliance relationship. Yet on the negative side, if the mutual objectives in the multilateral arena cannot be achieved, or if bilateral issues cannot be resolved, the resulting disputes and ill-feeling almost inevitably affect other aspects of the relationships.

**Regional Policies.** There is a broad paradox in the approaches of the three states to the Asia-Pacific region. All three governments attribute major importance to the region, and wish to be accepted as active participants in regional councils. However, joint efforts among the three to this end tend only to emphasize their image as Anglo-Saxon outsiders. Again, individual and to some degree competitive interests will predominate in national policy making on regional matters.

In the Pacific islands subregion, the "ANZUS Lake" of the early post-war period, each of the three countries has a unique set of relationships and problems. For their part, the island states would not welcome a more concerted approach among the three, both because of its neocolonial overtones and because dealing with each of the three separately helps the islanders balance the influence of each. So, although there will always be areas in which consultation is appropriate and useful—such as to exchange information and assessments or to minimize duplication of activities in these very small entities—policy coordination seems unlikely to go beyond this rather minimal level.

**The New International Agenda.** There is probably more cooperative activity now among the three countries on a wide variety of other global and, especially, regional issues than at any earlier period. Subjects include arms control and anti-proliferation efforts, the strengthening of democratic institutions and human rights, refugee problems, global warming, marine conservation, Antarctic research and protection, drug control, counter-terrorism, and disaster prevention and relief.

But, this cooperation only rarely takes place on a trilateral basis, and frequently it is not even strongly bilateral but rather occurs within wider forums or coalitions of like-minded states brought together on specific issues. The views of the three countries and their approaches to problems

on the international and regional agendas also frequently differ. Thus the consultation process among them on such issues is often less a matter of concerting strategy than of trying to understand and reconcile differences or identify a minimum area of commonality.

### **The Legacy of Alliance**

The combination of increasing interdependence, a wider range of issues of common interest, and a greater diversity of individual views and approaches only reinforces the importance in the new era of effective channels for communicating and resolving issues among the three governments. The processes and relationships created in the alliance era can perform a major service in this regard. Particularly in democratic polities, with their relatively high rate of turnover in the top positions, such mechanisms ensure regular consultations and allow the development of personal relationships among key national leaders that can be helpful in other contexts as well. However, to adequately perform these functions, the existing arrangements must be successfully adapted to the new requirements.

*Australia-U.S. Relations—Sustaining the Dialogue.* The relationship between Australia and the United States has had a largely successful record of responding to previous challenges, and appears well positioned for the new era. If anything, the bilateralization of the ANZUS consultative process has made this mechanism even more useful as a channel for Australian-American consultations, and increased Australia's ability to define the agenda. Australia's energetic "middle power" posture and the relatively broad range of international issues in which Australia takes an active part increase the value of this consultative link.

The annual Australian-U.S. ministerial consultations have already been broadened to give prominent attention to economic issues. The United States initially resisted expanding the agenda of these exchanges beyond the traditional focus on security issues, but this evolution accurately reflected the new reality of the relationship and therefore has value for both sides. However, the structure of this process still does not facilitate such exchanges, because economic ministers are not formally included. Some further adaptation seems desirable.

*New Zealand and the United States—Searching for a New Framework.* The U.S.-New Zealand relationship, and most specifically the New Zealand interest in that relationship, has been the real loser from the collapse of the ANZUS framework. This is not so much a matter of tangible costs, which have been quite limited in all areas other than New Zealand-U.S. defense cooperation. New Zealand's defense relations with Australia continue; economic relations with the United States have not been harmed, and cooperation on other issues proceeds apace. The greater cost arguably

is the loss of, or at least the need to build a replacement for, a well-established mechanism for regular contacts between New Zealand and American leaders.

Efforts are being made, particularly from the New Zealand side, to find a functional equivalent to the consultation mechanism provided by the alliance. Over time, more frequent high-level meetings will undoubtedly resume. However, even as the emotions from the break in alliance relations fade, efforts to regularize such exchanges will inevitably run into the reality of New Zealand's small size and the correspondingly low priority of such an undertaking from the American end. There is simply no escaping the factor of scale.

*Australia-New Zealand, Inc.* The legacy of the ANZUS alliance for Australia and New Zealand is inherently more difficult to define, because the relationship between these two countries is of a fundamentally different order from that of either with the United States. ANZUS never played the central role in Australia-New Zealand relations that it did on the other two legs of the triangle.

The Closer Economic Relations agreement and its process have far more profound implications for the future relationship between the two countries; the process even raises the possibility of eventual moves toward political integration. The ANZUS experience has not been an impediment to this evolution—indeed to a certain extent the bilateralization of security cooperation since 1985 has contributed to the tightening of the bilateral tie—but it has not been a major motivating force either.

## Conclusion

Relations among the ANZUS states in the 1990s and beyond will be more intense and interdependent in many ways than over the preceding 50 years. But the content and dynamics of these relations have greatly changed; they have entered a new stage not centrally or adequately defined in terms of a security alliance. The broadest policy implication is that these new realities need to be clearly recognized, and both the rhetoric and the mechanics of the relationships adjusted accordingly.

# Comparative Statistics <sup>a</sup>

	Australia	New Zealand	United States
Population (millions)			
1990 (est.)	17	3	247
1950	8	2	152
Land area (millions sq. km)	7.7	.3	9.4
Density (people per sq. km)			
1990	2	12	26
Gross Domestic Product			
(billions US\$)	247	42	4,818
GDP per capita (thousands US\$)	15	13	20
Savings rate (gross, % of GDP)	22.1	17.0	15.2
Economic growth rate (real, % of GDP)			
1960-73 (average)	5.2	2.7	3.2
1973-88 (average)	2.5	1.1	2.6
1989	4.9	0.8	2.5
1990 (projected)	2.2	0.7	1.0
Inflation rate (%) <sup>b</sup>			
1960-73 (average)	3.5	4.9	3.2
1973-88 (average)	9.9	13.0	6.8
mid-1991 <sup>c</sup>	4.9	2.8	3.5
Unemployment (% of workforce)			
1960-73 (average)	2	0	5
mid-1991 <sup>c</sup>	9	10	7
Foreign trade (as % of GDP)			
Exports	16.5	28.4	8.9
Imports	17.6	26.9	11.2
Military forces (regular)			
1989 (thousands)	69.6	12.4	2,124.9
(% of population)	.42	.37	.86
Defense spending (% of GNP)	2.9	2.0	6.2

Notes: a. Figures are for 1988 unless otherwise indicated.

b. Based on changes in Consumer Price Index.

c. Taken from media reports of government statements.

Sources: OECD Economic Outlook: Historical Studies: 1960-88, Paris; OECD Economic Outlook, No. 48, December 1990, Paris; United Nations, World Population Prospects 1990, New York, 1991; Hammond World Atlas, 1989; International Institute of Strategic Studies, Military Balance 1989-90, London.





## INTRODUCTION

The ANZUS alliance, formally concluded on 1 September 1951, is 40 years old this year. In a larger sense, the alliance had its origin in the wartime cooperation between the three allies starting a half century ago, when in the dark hours of December 1941 Australia's prime minister turned to the United States to protect his country from the imminent threat of Japanese invasion. Although the alliance was born of security exigencies, the common English roots of the three countries gave them a basic affinity and fundamental shared values. All three saw themselves as the representatives and repositories of the Western democratic system in the Pacific, the system they fought to defend in World War II and sought to preserve through cooperation in the Cold War.

The sense of commonality was undoubtedly only partially valid even in 1951. There are significant differences among the three countries, starting from the most fundamental attributes of size, power, and location. The period of wartime cooperation showed that a common language did not erase sometimes sharp divergences in national approaches, and that a shared preference for democratic systems did not automatically translate into agreement on postwar political arrangements in the region.

Throughout the subsequent years of alliance, the three societies have evolved in individual and sometimes dramatic ways. Changes have occurred in their demographics, politics, economic structures and positions, and in their perceptions of their international interests and roles. In recent years, with a general lessening of threat perceptions, the purely security aspects of the relationships have declined in salience, and more centrifugal issues have assumed higher priority. The image of the ANZUS allies as the three musketeers of Western democracy in the Pacific has faded and been superseded by a more fluid set of concerns, issues, and interactions.

Against this backdrop, it is impressive that the relationships among the three countries during their half century of alliance have been as close and harmonious as they have. Even the one major breakdown, the split between the United States and New Zealand in 1985-86 over the latter's policy of denying port access to nuclear-powered or nuclear-armed ships, came about largely due to a specific conjunction of circumstances and despite the desire of both parties to maintain the alliance; nor did that breach end other aspects of cooperation between the two governments. At the societal level, interconnections among the three are broad, deep, and expanding, and have probably long since progressed beyond the point where they are readily affected by short-term fluctuations in government-to-government relations.

However, it is also clear that there have been significant changes in both the content and the tone of the relationships over the period. From an

essentially unidimensional focus on security issues in the early years, the relationships have assumed a far more multidimensional aspect, and each of the parties has developed a more individual voice and differing priorities.

The study examined this evolution of the relationships along three basic dimensions: sociopolitical change, economics, and regional policies. It also considered the implications of these findings for the future directions and management of the governmental relationships. The major conclusions in each of these areas are summarized in the sections that follow.

## I. SOCIAL AND POLITICAL CHANGE

The first phase of the project examined the key internal trends and changes in the respective national self-images that have affected each country's international outlook and the relationships among them. The major questions were whether the interests, orientations, and styles of the three are becoming more parallel or are diverging, and what are the implications of these trends for the relationships.

No simple answers to these questions emerged. At the most general level, two countervailing processes seem to be at work. The countries are coming into much closer and broader contact, and are being affected by many of the same social, cultural, economic, and political forces. Yet in terms of their own self-images, they are becoming more distinctive and placing a higher premium on the assertion of individual as opposed to alliance or even mutual interests. Thus, if the real question is whether the process of cooperation among the three governments has become more natural and smoother, whether collaboration has in some sense been routinized by 50 years of experience, then the answer must be no.

### **Commonalities and Contacts**

Few societies in the world have as many similarities as Australia, New Zealand, and the United States. Their shared attributes include common immigrant origins, English language and mainstream cultural heritage, democratic political systems and values, and developed market economies with superimposed government regulatory mechanisms and social welfare structures. Of the other nations in the vast region washed by the Pacific Ocean, only Canada possesses all these attributes to a similar degree.

These commonalities provided a solid foundation for the establishment of the alliance relationship among the three, and for sustaining cooperation over the past half century. The shared political and economic values readily translated into broadly common international objectives—albeit with sometimes robust differences over specific issues throughout, starting with the decolonization question in the immediate post-World War II years.

Another noteworthy feature of the interrelationships among the three countries, both societal and governmental, is their intensity. This is largely a development of the alliance era. At the start of the period, contacts between the two antipodean partners and the United States were quite limited—Australia and New Zealand did not even maintain embassies in Washington before World War II, and though historians can cite prominent examples of early trade and investment, in absolute terms these linkages were not significant. Australia's and New Zealand's economic ties were overwhelmingly with the United Kingdom, and even trans-Tasman trade was limited. (Indeed, some scholars contend that in this period

Australia–New Zealand relations seemed characterized more by competition between them for the attention of Mother England than by direct dealings with each other.) In the early years of the ANZUS alliance, even military cooperation among the countries was skeletal, except for a mutual involvement in the Korean War. The United States, with its defense priorities focused on Europe, Japan, and Korea, insisted from the start that ANZUS entail no joint command or permanent infrastructure, and no dedicated military forces.

Over the 50-year period, interactions among the three have grown markedly. Economic links have expanded, at first gradually and then at an increasingly rapid rate. Partly this growth has reflected the development by all three of major economic ties with the Asia-Pacific region. Trans-Tasman trade and investment were significantly boosted by the establishment of the Closer Economic Relations (CER) program by the Australian and New Zealand governments in 1983; general financial deregulation by both governments shortly thereafter led to a burst of investment from both countries in the United States.

Military interaction has also expanded, with the development of extensive exchange and joint exercise programs and especially through the establishment in the 1960s of several U.S.–Australian joint defense facilities in Australia. Most U.S.–New Zealand military links were cut following the 1985 break over the issue of nuclear-powered and nuclear-armed naval ships, but Australian–New Zealand defense relations actually intensified as Australia's relations with its ANZUS partners were reconfigured following the U.S.–New Zealand split.

Continuous heavy exposure of Australia and New Zealand to American popular culture throughout the period has been at least partially reciprocated by growing counterflows in film, sports, music, and other fields. Educational interchange including government-sponsored programs such as the U.S. Fulbright exchanges as well as countless individual experiences has built a large network of contacts in this important field. And finally, the advent of the jet age after 1960 and the subsequent tourism explosion brought more individuals from all three societies into contact with each other than in all their previous history, renewing and developing personal ties. Between Australia and New Zealand, flows of people and other forms of cultural contact on both a temporary and more permanent basis are even heavier, facilitated by geographic proximity and the almost total absence of formal restrictions on movement between the two societies.

Even making allowances for the differing relative visibility and impact of these various linkages on the three societies, the level of interactions among the three nations must be at the high end of the global spectrum.

## Parallel Experience

All three countries have been exposed to the same major trends and forces over the period of their alliance. They experienced parallel post-World War II demographic trends of baby booms followed by a slow aging trend, urbanization, and increasing education levels and white-collar, service-oriented employment. All have moved from a social pattern of general Anglo-Saxon male domination to a more multicultural complexion, with increasing minority and female participation. Shifting mixes and rates of immigration have brought new populations from previously under-represented ethnic and geographic sources. Each country has gone through phases of intense social activism and differing reactions by the mainstream populations, and each is now struggling to deal with a growing problem of an impacted, ethnic-economic underclass.

In internal politics, each state has seen a progressive weakening of historical alignments and loyalties, the rise of single-issue groups, the growing importance of economic management as a measure of national leadership and a resulting tendency toward pragmatism in policy making. Together these changes have put great stress on their political structures, including causing sharp clashes between budgetary imperatives and traditions of social welfare. None of the three societies has yet molded a new consensus balancing these values.

Finally, each society has faced similar challenges to its view of itself and its place in the world. Each has had to come to grips with the conflict between its deepening interdependence with the rest of the world and its desire to preserve national autonomy and individuality. Each has progressively recognized the constraints of geography and limited national resources on its international interests and influence. There has been a common shift from a primary orientation toward Europe to greater attention to their place in and relations with the Asia-Pacific region. More recently, each has had to adjust to the shift from a U.S.-dominated to a more multipolar global and regional order. And at present each society's self-image and worldview remain in a state of flux, with ambivalence as well as resistance toward the apparent directions of change.

## Distinctions

It is also true, however, that in this parallel evolutionary process each country started from a different point, and the interplay of the various forces has differed in each case. So the resulting adaptations have also been distinctive.

The most fundamental difference among them is in scale. With populations of 247, 17, and 3 million people, the United States, Australia, and

New Zealand have vastly different weights in the world and corresponding differences in their ranges of involvements and priorities. The entire subject of the relationships among these three countries is pervaded by the asymmetrical nature of these relationships.

The United States, as a global superpower as well as the strongest of the three ANZUS states, is of immediate and constant importance to both Australia and New Zealand, simply because American actions impinge in so many ways on the interests of the other two. Correspondingly, the relationship with the United States is a topic of major interest in both of the other countries, in a way that U.S. relations with Australia and New Zealand never will be in the United States. Even the major alliance crisis between the United States and New Zealand over nuclear-ship access policies hardly registered on the American domestic political horizon.

Relations between Australia and New Zealand are similarly asymmetrical, although not to as great a degree as the relations of each with the United States. New Zealanders will always be more aware of and attentive to their relationship with Australia than vice versa. In both cases, one impact of the asymmetry is that the smaller partner, conscious of its relatively unimportant position on the agenda of the larger partner, cannot help but be sensitive and somewhat resentful of this fact, and this imparts a permanent delicacy to the relationships.

Differing political structures and styles in the three countries also contribute to their distinctiveness. The American federal system with its constitutional separation of powers and loose party structure ensures that power is divided and that decision making is generally a highly incremental process of assembling coalitions of interests across the system. New Zealand's unitary national structure and single-house Parliament permit its government to take rapid, even radical, actions virtually impossible in the other two. Australia's bicameral Parliament and federal system leave policy initiative largely in the hands of the national government but can also require significant compromise with other interests and actors.

These structural differences impact the relationships in various ways. The diffuseness of the American system reinforces the preoccupation of the U.S. leadership with other priorities—getting anything done on the current major issue can be a full-time job. The parliamentary format of the other two partners, with its focus on direct confrontation between opposing parties and leaders, makes for a relatively high-decibel level of political debate, including on alliance matters, in the antipodean countries. New Zealand's highly centralized system can produce both long stasis and sudden major changes in policy with little detailed public consideration of the issues.

An additional factor in the political cultures that affects relations among the three countries is that both Australia and New Zealand have major labor parties in the British (democratic socialist) tradition, whose minority

but influential left wings have an ideologically based anticapitalist and therefore anti-American orientation. For a variety of reasons, press and intellectual circles in both countries tend to project a similarly critical attitude toward the United States. National political leaders, conservatives as well as mainstream labor figures, must take these political attitudes into account in formulating their own positions and rhetoric on issues relating to the United States and the alliance.

Certain demographic trends also are serving to further distinguish the three societies. Although each has received influxes of immigrants in the postwar period, this has affected the three societies in quite different ways. Australia has more than doubled in population over the period and has become a significantly multicultural society, with large numbers of migrants from southern, central, and eastern Europe and latterly from Asia (and the Middle East), very much diluting its previously strong Anglo-Celtic complexion. New Zealand has experienced far lower levels of immigration, principally from the traditional sources of northern Europe and the South Pacific, giving New Zealand a more bicultural (Anglo-Saxon and Polynesian) than multicultural makeup. In the United States, an already ethnically diverse society has become even more so, with heavy recent influxes of Hispanics and Asians. These differing trends have reduced the dominance of the demographic-cultural element in each society—their English heritage—that gave them the greatest sense of commonality. In each case, today's society is a far more distinctive, unique entity than at the start of the period, and the distinctive features are the ones that seem most likely to grow in the future.

Finally, and perhaps most significantly for the alliance relationship, the generation that directly experienced the events leading to the formation of the alliance and that therefore felt the greatest bonding effect is in the process of passing from the scene. Significantly, of the three national leaders in 1991, only George Bush is a World War II veteran; no cabinet-level official in any of the governments had this experience. The Vietnam era with its far more mixed messages is the main formative experience of most of the current leadership generation in the three countries. The concept of tripartite solidarity simply is not a fundamental part of the mental set of the new national leaders in the ANZUS states.

### **Changing Self-Images**

Over 50 years the three societies have developed more distinctive identities and self-images. In particular, Australia and New Zealand have become progressively more multidimensional and more individually assertive in their approach to the outside world.

Australia and New Zealand have moved from viewing themselves as European outposts living precariously on the edge of crowded and threatening Asia—and a corresponding obsession with the need for

protection by a "great and powerful friend"—to a self-image as Asia-Pacific states of European cultural origins and to greater self-confidence at a time when the perception of external threat has diminished. Many factors contributed to this change. Confidence in external allies declined, as Britain withdrew from Asia and United States leadership failed in Vietnam. Economic ties with the Asia-Pacific region were greatly expanded after Britain joined the European Community in the 1970s, Australia lost its preferential access to the British market, and New Zealand's access was curtailed. The economic dynamism of Asia in the 1980s further increased the importance and potential of relations with the region. And domestic social changes also contributed to both an enhanced sense of national identity and reduced feelings of insecurity toward the region. Australia's leaders began to describe their country as a "middle power" able to exercise independent, if limited influence on the regional and international scene. For many New Zealanders, the break with the United States symbolized their country's achievement of its own international identity.

Although this shorthand description treats Australia and New Zealand together, there are also important differences between the two. Where Australia's geographic identity is increasingly with Asia, New Zealand tends to look first to the South Pacific. Australia sees far greater potential for international activism than does its much smaller neighbor. Further, New Zealand society retained an orientation toward Britain far longer and more strongly than Australia, and never fully shared Australia's sense of affinity with Americans or enthusiasm for the alliance. The difference in their present relations with the United States also has obvious consequences, which will be discussed in greater detail below.

In the early postwar-Cold War period, the United States formed an international self-image as the leader of the Western world with a mission to protect the democracies from totalitarianism, and a worldview in which security alliances were critical and duty to alliance partners was a dominant policy consideration. Over time this view has yielded to increasing uncertainty and weariness over international responsibilities, frustration with the behavior of allies along with the belief that most allies now can and should pull their own weight, and a generally greater concern with domestic issues and interests.

Symptoms of changing American attitudes first appeared in U.S.-European skirmishes over trade issues in the early 1960s. Frustration in the United States over the international role was vastly magnified by the traumas of the Vietnam conflict. Increased priority for U.S. interests is now a staple of American policy making, whether in congressional emphasis on "burden sharing" in alliances or nearly open economic warfare with the European Community and Japan. The change was brought home most pointedly to Australians in 1986, when normally staunchly pro-alliance Republican congressional leaders turned a deaf ear to bipartisan Australian



pleading that U.S. agricultural export policies were undermining Australia's economy and therefore national security.

These have by no means been total transformations. Australians and New Zealanders by large majorities still accord great importance to the alliance and the relationship with the United States. Australia and (more so) New Zealand also retain major ties, economic and otherwise, with Europe. Most Australians would not want their country to become Asian in the cultural sense. The vision of New Zealand as a South Pacific country is resisted by many in its majority Pakeha (European) community. Debates continue in both countries over such issues as immigration and cultural policy. Internationalism in the United States may be a bit battered but is still the dominant government policy and popular sentiment. Nevertheless, transitions have taken place in the focus and priorities in all three countries.

### **Mutual Perceptions**

The project examined the nature and dynamics of perceptions in each of the societies of the others. The study found that these are for the most part strongly positive mutual images, as befits countries with a common cultural heritage and a history of cooperation. However, their mutual perceptions are also permeated by the asymmetry of the relationships, by much ignorance, superficiality, and misperception, and by a great deal of ambivalence on all sides. In something of a paradox, we found that greater knowledge within one society of the others correlated with more critical (or at least less uncritical) perceptions. Less surprisingly, there are also clear distinctions between public attitudes and the opinions of the elite and decision makers.

*Americans and the Antipodes.* In the United States, public attitudes toward both Australia and New Zealand are very good but also very general. They tend to reflect a generally positive cultural resonance, influenced by language, films, sporting events, tourism, and other superficial but high-visibility phenomena. Americans consistently rank both countries at or near the top of other societies with which they feel affinity, and this also translates into a very high degree of willingness (equal with Europe) to go to their defense in the event of military attack. Because of its smaller size and less visibility, New Zealand ranks lower on all these measures than Australia, but the nature of the images is clearly the same—and U.S. polling data even showed a slight rise in New Zealand's positive ratings after the split with the United States on defense policy.

However, at the same time Americans are also massively ignorant of both Australia and New Zealand. (As recent studies have shown, American geographic illiteracy is not limited to the ANZUS partners, but it nevertheless impacts this relationship among others.) This ignorance

extends from such basics as the form of government (a fifth of the American public identifies the two countries as authoritarian states), to any awareness of the status or substance of intergovernmental relations. The American respondents who gave New Zealand more positive ratings after the 1985 split in most cases likely had no idea there had even been a conflict over defense policy, and almost none of the American public will have been aware of the subsequent dispute between the Australian and U.S. governments over agricultural export policies, a major public issue in Australia. As one project participant put it, American "radar screens" are very crowded, and rarely if ever do specific events involving Australia and New Zealand rise above the horizon of national consciousness.

American elite perceptions of the antipodean allies differ somewhat from general public attitudes, but even within the elite it is only among the very small numbers of Americans who deal directly with the two countries or the relationships that there is any significant awareness and knowledge. At the governmental level, U.S. relations with the two countries are managed by a tiny handful of officials, with episodic involvement by higher-level policymakers, legislators, and others in the American political structure. This has both positive and negative effects. It minimizes the regular intrusion of extraneous political considerations into the American handling of the relationships, but it also limits the degree to which larger constituencies can be recruited to support Australian and New Zealand interests when problems arise. Alliance solidarity used to be one of the few strong arguments in the arsenal of these officials; it has less utility and impact today.

The smallness of the circle of American "Australia-New Zealand" watchers has an additional effect. Those individuals who are attentive to Australian and New Zealand interests and concerns are also profoundly conscious that the top American policymakers have many higher-priority preoccupations. This means that concerted effort is often required to obtain the necessary high-level attention to matters with a particular Australian-New Zealand angle but little (or negative) resonance in U.S. policy terms, and that there is a definite threshold beyond which policymakers are not inclined to be overly solicitous toward antipodean views and concerns. Indeed, persistent advocacy by smaller allies of what are seen as peripheral or idiosyncratic issues can easily engender impatience and irritation on the American side.

The Australian and New Zealand publics also register positive views of the United States as well as strong support for the concept of a security alliance (this is even true in New Zealand following the break with the United States, although recent poll data show the beginnings of a falloff from previous levels). This support for alliance is partly related to a continuing perception of their countries' vulnerability to external threats. The

Australian and New Zealand publics also have a good deal of exposure to information about the United States, and therefore far more knowledge than their American counterparts have of their countries.

However, perceptions of the United States, in both cultural and political terms, are far more mixed than the obverse. Australians and New Zealanders find a good deal to criticize in what they know about the United States. To the extent that such critical perceptions may not be well-founded, a number of factors are probably involved. Much if not most of the public's information about the United States is acquired through the distorted filters of popular culture and the news media (particularly television with its heavy sensational and negative biases). There is also probably an element of reaction to the disproportionate size and influence of the United States. Polls in the 1970s–80s revealed significant declines in confidence that the United States would come to the defense of its ANZUS partners, and an increasing perception that the alliance primarily benefited American rather than allied interests. Reversals in these trends in more recent polls suggest that these measures may be more reflective of immediate (and ephemeral) events than underlying attitudes, but at a minimum the data demonstrate that public confidence is relatively susceptible to being undermined.

The Australian and New Zealand elites share in even greater measure their publics' knowledge of the United States, but their perceptions are also generally more sophisticated. For example, elite perceptions of external threat levels have declined substantially over the past decade, along with the decline in superpower confrontation, while public attitudes have reacted far more slowly. The elites are if anything more conscious than the general publics of the importance of American policies and actions to their countries, and also tend to be more concerned and skeptical about U.S. decision making and reliability—on a range of issues from strategic arms to international trade policy. Certainly much broader segments of the antipodean elites are attentive to the relationships between their countries and the United States than is ever the case on the other side, and awareness of their relative unimportance in the American scheme of things can exacerbate their sensitivities.

*Views Across the Tasman.* In some respects, mutual perceptions between Australia and New Zealand can be seen as a microcosm of the situation between each and the United States. New Zealanders see Australia as much more important to their country and know vastly more about Australia than vice versa, and New Zealanders are both more critical of Australian society and more sensitive to perceived slights from Australia than are Australians toward New Zealanders. But there are differences of degree and substance in the case of the trans-Tasman relationship, primarily because this relationship is both physically closer and more intense than that of either country with the United States.

For example, the Australian elite is much more conscious of the importance of the Australian-New Zealand relationship to their country than is the general public, and the elite accordingly is generally willing to support concessions to New Zealand in the interest of maintaining the relationship. However, along with this willingness to make even one-sided contributions, there is a more visible strain of impatience and irritation within the Australian elite over what is seen as unnecessary carping or uncooperative behavior on the part of the smaller partner.

The conflict between dependence and the desire for autonomy also directly affects the Australian-New Zealand relationship. New Zealanders, while acknowledging the value of close relations with Australia (and supporting the ongoing program of closer economic integration), strongly resist any idea of closer political relations or political integration—for the natural reason that this step would involve the loss of their separate political identity.

The ambivalent attitudes across all three legs of the triangle inevitably impact policy making on issues affecting the relationships. Leaders in the smaller partners need to demonstrate to their constituencies that they are capable of preserving the alliance relationships (or at least of ensuring the security their publics look to alliances to provide), and at the same time that they are willing and able to stand up for their country's own national interests and priorities in dealings with the larger partners. The larger countries are almost always more concerned with other elements of their national agendas, but their leaders also need the partners' support on a variety of issues, and they definitely want to avoid appearing either as ineffective international actors or as being responsible for serious disarray in the alliance relationships. Navigating among these conflicting pulls can be a very delicate task, and when choices have to be made, leaders on all sides tend to cater to the more immediate—i.e., the domestic-nationalistic—pressures.

## II. ECONOMIC STRUCTURES AND RELATIONS

This portion of the project examined changes in the domestic economic circumstances of the three countries, their international economic orientations, and their bilateral economic relationships. The major question posed was whether the economic policy dialogue among the three in the coming decade is more likely to be dominated by common interests and cooperation or by different approaches and conflict.

Our general conclusion is that shared common experiences, problems, and interests have created a broad common stake in and approach to the international economic system, but that this does not necessarily make for tight or strongly tripartite cooperation. There are also important areas of competition and conflict among the three that can to some degree be mediated through the alliance framework but that are not in themselves resolvable through appeals to the alliance relationship. On the other hand, if the common interests in the multilateral arena cannot be achieved, and if the bilateral issues cannot be resolved, the resulting disputes and ill-feeling can affect the atmospherics of the relationship and complicate the management of other aspects of cooperation.

### **The Domestic Base**

There is considerable parallelism in the economic experience of the three countries over the 50-year period, and in the basic economic difficulties that now confront each of them. All three countries shared the benefits of the long boom of 1948-73, and the problems of the subsequent period triggered by rising oil prices, lessened competitiveness, and domestic recessions. All have struggled with their loss of relative economic position and influence in the world. All face serious, similar challenges of bringing about major structural reforms to restore their economies' international competitiveness. For each this includes the particularly vexing question of how to stimulate new investment and entrepreneurship, including whether national-level industrial policy is an effective instrument in advanced, free-market economies.

The three economies approach these issues, however, from a basis of different scales, histories, and structures. The U.S. economy is the most diverse of the three, with growth historically based largely on serving its own huge domestic market. Australia has a resource-based (both agricultural and mineral) export economy, onto which a protected domestic-oriented manufacturing sector was grafted, largely in the early post-World War II years. New Zealand is heavily dependent on agricultural commodity exports for its economic livelihood, with a smaller and (until recently) even more highly protected domestic sector developed largely for employment-generation purposes.

The responses of the three to their present economic dilemmas have also been diverse. The 1980s have been characterized in the United States and New Zealand both by reduced government regulation of the economy and by a significant reduction in the size of the public sector. The New Zealand reform program has been far more dramatic and thorough than that of the United States, indeed probably qualifying as the most radical ongoing economic reform experiment in the world outside the erstwhile communist countries. The Australian government's approach has also stressed deregulation, especially in the financial sector, but has been far more cautious in pursuing privatization of public sector enterprises; in dealing with labor, the Labor government has attempted to restrain wage increases without restructuring the highly centralized wage-fixing system. A final significant difference in this area is that, even after significant reforms, both Australia and New Zealand retain a commitment to the public provision of services and support that is less the case in the United States.

None of the three governments to date has been convincingly successful in its efforts at economic renovation. Serious trade and budget deficits persist in the United States. Australia faced several years of stubborn inflationary pressures, and more recently nearly double-digit unemployment figures. New Zealand endured five years of very high unemployment and a sustained trade deficit. As of this writing, all three countries appear to be coming out of the economic downturn of 1990-91, and the most recent basic economic indicators in both New Zealand and Australia are encouraging. However, the success of long-term restructuring and rejuvenation is still problematic, and thus none of the three yet provides a clear model for emulation by the others.

In highly developed democratic systems such as those of the ANZUS states, significant economic hardship tends to produce direct political costs. In New Zealand, these costs were the major cause of the defeat of the Labour government in the election of 1990, even though the victorious National Party did not promise any dramatic changes in economic policy. As if to emphasize the dilemma, after a brief honeymoon period, the Nationals rapidly suffered significant declines in the polls when economic fundamentals remained depressed. The ouster of the Hawke Labor government was also widely anticipated in Australia's 1990 national election, but the government ultimately squeaked by. With economic difficulties continuing, the government's prospects for the next election now appear even more bleak, though still subject to the unpredictabilities of the electoral process. In the United States, the major vulnerability of the enormously popular Bush administration lies in domestic economic policy, in this case not primarily because of the pains of reform but rather the continuing pains of austerity in the absence of significant structural change.

These basic issues of structural economic reform and associated domestic

political turmoil are likely to preoccupy all three governments for the foreseeable future. It is difficult to argue that even the common aspects of these dilemmas will provide any stimulus for more intensive consultation or cooperation among them in this field.

### **The International Order**

The major international economic interest of the three is the maintenance of a liberal and multilateral international economic and trade system. The United States was an early strong supporter of this objective, largely driven by security interests in the postwar period. Australia and New Zealand have been relatively recent converts (e.g., to lower tariff rates) with all the zeal associated with such late conversions. However, this fundamental interest is shared but not unique to them, and does not readily lend itself to strictly trilateral action.

Because of its global economic position, the economic policies and actions of the United States occupy a major place in exchanges among the three on international economic issues. The United States influences Australia and New Zealand both through its role as one of the principal rule makers of the international economic system and through its specific economic actions, which can have both positive and negative impacts on Australia and New Zealand. Australia and New Zealand have become increasingly concerned in recent years that in its rule-setting role the United States may be shifting from its long-standing support for an open international economic order toward (in practice if not in principle) a more unilateralist and protectionist approach.

The impact of direct U.S. economic actions on Australia and New Zealand tends to be less well recognized in the United States but is of major interest to the other two countries. Indeed, it is a continuing source of frustration to both that American policies important to them are not formulated with these impacts borne in mind. For example, continued openness of the U.S. market to exports from the Asian Pacific economies is also important for the Australian and New Zealand economies, while U.S. economic warfare with Europe over agricultural exports (of which the U.S. Export Enhancement Program has become the infamous symbol down under) can undermine prices and markets for Australian and New Zealand exports. Finally, such structural issues for the U.S. economy as the balance of payments deficit and the resolution of this problem also have a direct impact on the Australian and New Zealand economies and therefore are a matter of considerable interest to them.

The international economic issues that will be of most concern to all three for the foreseeable future will relate to trade, investment, and, increasingly, the implications of environmental problems and regulations. Most immediately, all three have a critical and shared investment in the success of the floundering but now extended Uruguay Round of

international trade negotiations under the General Agreements on Tariffs and Trade (GATT). They all must also wrestle with the question of what to do in the aftermath of the round—whether it ultimately ends in stalemate or produces some (but undoubtedly limited) progress on the major issue areas such as agricultural trade. Inevitably, the fallout of the GATT round will include further discussion of the relative roles of international negotiations and regional free-trade areas or trade blocs, with continuing pressure toward regional arrangements because of the greater ease of negotiating such agreements.

The United States to date has been more willing to engage in limited free-trade negotiations (e.g., with Canada and Mexico) for their own sake. Australia and New Zealand have expressed a strong preference that any regional arrangements, such as their own CER, be as open and outward-looking as possible, so that they will contribute to a general pattern of reduced international trade barriers rather than to the creation of protective regional blocs. (In fact, CER itself was conceived in part as a vehicle for reforming the protectionist structure in New Zealand and Australia.) There has been some discussion, particularly in New Zealand, of the possibility of linking CER with the U.S.-Canada arrangement or a North American or North Pacific free trade area, but so far there is no consensus on either the desirability or the feasibility of such moves. In practice there seems little likelihood of initiatives in this direction (particularly given U.S. preoccupation with other issues) at least in the absence of a major breakdown of the international system into regional blocs. Such a breakdown would confront both Australia and New Zealand with agonizing decisions over whether to affiliate with a regional bloc and if so, which.

### **The Asia-Pacific Region**

For all three countries, the economic importance of the Asia-Pacific region has grown dramatically. In 1950, 4.5 percent of Australia's exports and 1 percent of New Zealand's exports went to Japan, as opposed to nearly 60 percent and nearly 70 percent respectively to Britain. By 1988, their exports to the Asia-Pacific region were 70 percent and 67 percent respectively, while their exports to Britain had shrunk to 6 percent and 8 percent. In 1950, American transatlantic trade far exceeded its transpacific trade; by 1988 the balance had been reversed and was rapidly widening in the other direction.

However, the three approach their Asia-Pacific economic links with rather different mixes of attitudes. For Australia and New Zealand, the region represents the new area of economic opportunity. Both have a comfortable trade surplus with Japan (based largely on the sale of agricultural commodities and, in the case of Australia, minerals). They see the Japanese market as having further potential for expansion, and have even greater long-term hopes for the Chinese market. There is a residue of World



War II era antagonism toward Japan, and there are sensitivities and resentments in both countries over some present-day Japanese trade practices (e.g., in the negotiation of commodity export prices) and Japanese investment in certain fields (housing, livestock). However, the importance of the Japanese market and investments to the Australian and New Zealand economies is generally accepted, as is the fact that both countries must deal with the international economy essentially as they find it. So both governments strongly support these relationships.

American economic perceptions of the Asia-Pacific region, and especially of Japan, are more ambivalent. Americans also consider the region an area of economic dynamism and opportunity, but they see it as a source of serious concerns as well: restrictive trade practices that disadvantage American business, heavy bilateral deficits in the balance of trade, and threats to American employment and living standards. U.S. economic clout has also accustomed Americans to trying to change rather than accept economic circumstances not to their liking. As a result, there is an element of confrontation in American economic relations with Asia that makes Australia and New Zealand uncomfortable because they see it as potentially disruptive to the economic order in the region.

As a direct competitor of the United States in major exports such as grain, beef, and coal, Australia has an additional concern about the conduct of American economic relations with the region. Australians fear that American pressure on countries such as Japan to open their markets for these products will be accommodated through one-sided agreements that in fact give preferential treatment to American suppliers of these products. Australians are also concerned that the U.S.-European export subsidy war will end up reducing Australian market shares. These fears persist despite American denials and reassurances, again underlining the differences of scale between the two economies and the resulting Australian sense of vulnerability to American economic power.

### **Bilateral Linkages**

Bilateral economic relations among the three have grown substantially over the entire postwar period. This expansion has been particularly rapid in the decade of the 1980s, following adoption by Australia and New Zealand of their Closer Economic Relations agreement and then financial deregulation and more general reduction in levels of protection in Australia and New Zealand.

Trans-Tasman trade grew relatively slowly in the 1950s and 1960s, increased somewhat more rapidly after the signing of a partial free-trade agreement in 1965, then more than doubled in the five years following the CER agreement in 1983 for an average annual growth rate of nearly 15 percent in the decade of the 1980s. Australia is now New Zealand's most important trading partner, taking 17 percent of its exports (including

36 percent of its manufacturing exports) and providing 21 percent of its imports in 1988. New Zealand is relatively less important as a trading partner for Australia, providing its fourth largest export market and fifth largest source of imports (4 percent) in 1988. However, New Zealand is the second most important market for Australia's manufacturing exports (nearly 15 percent of the total in 1988).

After CER, total Australian investment in New Zealand grew dramatically, from under A\$600 million in 1981-82 to A\$2.4 billion in 1986-87. Australia is now the largest source of new foreign investment in New Zealand. New Zealand investment in Australia grew exponentially in the same period, from A\$100 million in 1981-82 to A\$1.4 billion in 1986-87.

Although no formal harmonization arrangements parallel to CER are in place between the United States and either Australia or New Zealand, trade between the United States and both countries has grown steadily over the entire postwar period. In 1988 the United States was Australia's second most important trading partner overall (after Japan), taking 11 percent of Australia's exports and providing over 20 percent of its imports. Australia also was one of the few countries with which the United States maintained a significant trade surplus. The United States was New Zealand's third most important trading relationship (after Australia and Japan), accounting for 17 percent of its exports and providing 21 percent of its imports in 1988. American trade with New Zealand ran at a modest deficit.

Financial liberalization in the antipodean countries in the 1980s has stimulated both greater investment flows between them and substantially increased investment by Australian and New Zealand enterprises in the United States. In the decade of the 1980s, Australian investment in the United States increased by a factor of 15, from \$338 million in 1980 to \$5.3 billion in 1988—making Australia the second most important source of investment in the United States from the Asia-Pacific region after Japan. The increase in New Zealand investment was less dramatic but still impressive, tripling between 1980 and 1988 from \$74 to \$213 million. In the same period, American investment in Australia doubled, from \$7.6 billion to \$13 billion—the largest total American investment in any country of the region other than Japan (and very close to the Japanese figure). U.S. investment in New Zealand grew from \$579 million to \$826 million. The United States is now the second largest foreign investor (after Britain) in both countries.

*Managing Interdependence.* The net increase in these economic flows and contacts amounts to an important change in the nature and intensity of these relationships. Australia and New Zealand increasingly form a single economic unit. American firms play major roles as employers and suppliers in the Australian and New Zealand domestic markets, and Australian

firms now exercise important influence in American industries such as energy and the media. These conditions have not existed to a similar degree or in a similarly reciprocal way before.

With the expansion of the bilateral economic relationships, the major questions for the future involve the consequences of growing economic interdependence for other policy areas and for the broader relations between the three countries. These questions arise most seriously for Australia and New Zealand, as their economic linkages progressively deepen under the impact of the Closer Economic Relations agreement. The most significant near-term issue in this regard is whether a monetary union would be desirable as a logical follow-on to the freeing up of trade and investment. For New Zealand this step is particularly problematic. It offers the benefit of reducing exchange rate risks for investments in New Zealand aimed partly at the Australian market, but at the cost of less control over New Zealand's international exchange rate and the possible negative impact this might have on earnings in its other export markets (collectively much more important than the Australian market).

In practice, it is most likely that CER will continue to evolve on a step-by-step basis, as the actions already taken (particularly the acceleration of the process agreed in 1988 that led to the total removal of trade barriers in 1990) affect economic conditions and in turn lead to the identification of new obstacles, remedies, and opportunities. Subjects already agreed for priority attention include broadening of the CER arrangements to cover such areas as services and investment, and deepening them to include standards and rules of competition. Over the longer term, this process seems likely to lead to a very high degree of economic integration, with unavoidable implications in the political realm. However, because of the acute political sensitivities involved for New Zealand, the determination of whether the process eventually leads to formal steps toward political integration will likely be left for a future generation.

***Mechanisms.*** The increased importance of bilateral economic ties magnifies the importance of mechanisms for managing economic relations among the three. There are, of course, a wide variety of traditional channels for bilateral exchanges on such issues, and these contacts have multiplied on all three sides of the ANZUS triangle in recent years. At higher levels, however, the picture is more mixed.

The CER arrangements provide both an overall policy framework and a superb mechanism for consultation between Australian and New Zealand policymakers and leaders on virtually the whole range of bilateral economic issues. No such comprehensive mechanism exists between the United States and either of the others. The annual U.S.-Australian Ministerial Talks that took the place of ANZUS Council meetings after 1984 have provided a forum for the high-level discussion of economic

issues. (The United States at first strongly resisted Australian proposals to include economic items on the agenda of these meetings, on the grounds that there should not be any "linkage" between economic disputes and security cooperation, but the practice is now well established and accepted by both sides.) However, the formal focus and composition of these meetings still give secondary status to economic matters, and there is clearly room for a more regularized high-level economic dialogue. Since the split between the United States and New Zealand, there have been no regularly scheduled opportunities for high-level exchange of any sort between the two.

Increasingly, channels for bilateral dialogue are being supplemented by a variety of other tools for influencing economic policies. Australia organized (and New Zealand is a member of) the Cairns group of agricultural exporting countries, a vehicle for pressing the United States (and Europe) on agricultural export subsidies in the GATT round. Australia successfully took the United States to the GATT complaint procedure over U.S. sugar import quotas and won, forcing the United States to revise if not completely scrap its quota system. And the new multilateral Asia-Pacific Economic Cooperation (APEC) process provides a forum in which macroeconomic policy issues such as exchange rates can be discussed on a region-wide basis.

Stronger interconnections between private economic interests in the three countries also open up new possibilities for direct access to the domestic decision-making processes of each country, possibilities that did not exist previously to a similar degree or at least would not have been as politically acceptable. The private interests themselves have more extensive networks through which they can lobby any of the governments. The governments can also mobilize private-sector support in the other countries where there are connections between the private and governmental interests. The Australian government, for example, made a concerted pitch to American defense equipment manufacturers that its ability to purchase their products was being threatened by the damage to Australia's economic health caused by U.S. agricultural export subsidies.

### **Economics, Politics, and Alliance Relations**

International economic relations directly affect political relations, touching regularly and directly on the most sensitive issues of national interest, pride, and sense of autonomy. All of these impacts are magnified under the new conditions of international deregulation, larger trade and investment flows, and more rapid movement and change.

Increased international economic interdependence has also brought with it heightened competition, including the potential for direct conflicts between important and politically powerful interests in each of the three countries. Fears of foreign takeovers of domestic industries and of market

competition in third countries are only two of the areas where the more fluid international economic system has increased domestic political sensitivities. These will be continuously difficult problems for the political and governmental institutions of all three countries to deal with.

The political impact of reduced national control over fundamental economic conditions can already be seen in all three countries. In the United States there is a resurgence of populist protectionist and anti-foreign sentiment. Survey data in New Zealand show a popular inclination to turn back from the new liberalized economic structure to the old system. Public concern over a surge of foreign investment in the sensitive housing area led to the announcement by the Australian government of modest restrictive steps in this area.

These issues will directly affect relations among the three countries in the decade of the 1990s and beyond. Their potential divisiveness has already been vividly demonstrated in the angry dispute between Australia and the United States over American agricultural export subsidies ostensibly targeted against Europe. In the event of a failure of the extended GATT round and heightened American-European-Japanese economic conflict, the number of issues of this sort will very probably increase.

Should the effort to achieve further liberalization of the international economic and trade system through GATT negotiations and other processes succeed, this will produce even greater competitive pressures, uncertainties, and volatility in the international marketplace. One result will be greater vulnerability of domestic firms to the loss of markets and viability.

Most of these issues are susceptible to some degree of common action in various forums. However, in practice most do not readily lend themselves to explicitly trilateral or even bilateral approaches, nor to resolution by appeal to any sense of alliance interests or solidarity. The agricultural export subsidy case clearly demonstrated that the United States was not willing to make major changes in its broad international strategy in response to Australia's concern over collateral damage to its interests. This episode also illustrated a new paradox in the alliance relationships: if the existence of the alliance creates unrealistic expectations of alliance-based concessions on non-security issues, this can actually exacerbate disputes and tensions between the partners.

Broad economic trends appear to be inexorably tying all three countries further into wider regional and international economic frameworks, not significantly reinforcing their perception of common interest or identity. However, to the extent that these same forces lead to or involve bilateral conflicts and differences, if these are not well handled the results could have a negative effect on attitudes toward the other countries and other aspects of cooperation within the relationships.



### III. REGIONAL POLICIES

The third phase of the project considered regional policies of the three governments, specifically in relation to security, regional economic cooperation, and the Pacific islands subregion where the interests of the three countries most directly and continuously overlap. The major question here was whether coordinated and parallel policies or more individualistic approaches are more likely to characterize the governments' regional policies in the 1990s and beyond.

In this area we found a broad paradox. All three countries attribute increasing importance to the Asia-Pacific region, and want to be accepted as full members and active participants in regional councils. However, explicitly coordinated efforts among the three to this end would tend only to emphasize their image as an Anglo-Saxon club, outsiders trying to impose their agenda and will on the region, and would not advance either their mutual interest in acceptance or the political principles and other values that they share. Thus, any consultation or collaboration among the three states on regional matters will only advance their broader interests if it is clearly seen as directly supporting the region's interests (security and otherwise) and institutions rather than appearing to reflect particular or ulterior interests of their own.

#### **Security Policies**

Ironically, given their security alliance, the most significant differences in the evolution of regional policies among the three have come in the security area. On the other hand, this is perhaps the most natural consequence of the changed conditions, particularly the development of more distinctive self-images and independent political-diplomatic agendas on the part of the two antipodean partners.

*Evolution.* As previously indicated, starting from quite different positions in terms of basic power and geographic locations, each of the partners over time has developed a more individual orientation toward the region and its own priorities in security policy.

American policy has remained focused primarily on the global Soviet threat and, in regional terms, on the strategic confrontation in North Asia, virtually down to the present. Even the adjustments made in response to the reduced Soviet threat over the past two years have taken the form of relatively modest projected reductions (10-25 percent over a five-year period) in U.S. forces stationed in Japan, Korea, and the Philippines. The United States continues to emphasize the importance of the alliance network, both in guarding against reversals in the global security situation and as a framework for cooperation in regional and lower-level conflicts.

Australia, while retaining global interests particularly in terms of assuring

a stable global balance, has given increasing priority in its security policy and defense structure to the Asia-Pacific region, and specifically to the area from Southeast Asia through the South Pacific that the Australian government defines as its region of direct military interest. The postwar policies of single-minded emphasis on the alliance relationship and "forward defense" to meet potential threats as far from Australian shores as possible have effectively been abandoned.

The Australian government still considers the ANZUS link with the United States as important, even critical to its own defense capability—primarily as a source of information, technology, resupply, and training, as well as an ultimate source of direct support should circumstances require. The government also points to the joint defense facilities on Australian soil as its contribution to the maintenance of global stability and, in a sense, the "dues" it pays as a member of the Western alliance.

In practice, however, the present Australian government does not determine—or at least publicly justify—its policies or actions on international security issues based on the alliance relationship. Most recently, Australian participation in the Persian Gulf conflict was presented not in terms of alliance interests but solely as reflecting Australian national interests. In his public explanation of the decision to authorize the Australian units to participate in the use of force, Prime Minister Hawke explicitly denied that this action was taken in response to U.S. leadership or requests, and stressed that the decision was based on Australia's direct interest in establishing the precedent that the international community would act to resist aggression against a small state.

Australia's conservative opposition leadership couches its approach to foreign and security policy in different terminology, is critical of the Labor government's policies in a number of particulars, and has tended to support specific American policies that Labor has opposed. But the opposition does not take a fundamentally different position on principles or strategy, and basically accepts the new parameters of foreign and security policy that have been set out by the government.

New Zealand also acknowledges wider security interests, including support for international peacekeeping operations and the Five Power Defence Arrangements it shares with Australia, Britain, Malaysia, and Singapore in Southeast Asia. However, as a small country geographically shielded even from Southeast Asia by the Australian continent, New Zealand's security policies and planning are now focused centrally on the South Pacific region. Although the New Zealand government continues to support the ANZUS alliance, since the break with the United States its alliance relations necessarily involve only cooperation with Australia.

The National Party, which returned to government in late 1990, places greater rhetorical (though not budgetary) emphasis than Labour on maintaining a credible defense capability, and in an early policy statement



stressed New Zealand's continuing wider security interests. The National Party is also committed to work for the reestablishment of defense cooperation with the United States. However, earlier in 1990 the party leader dropped a pledge to revise the nuclear policy that led to the break with the United States.

The extent as well as the limits of the difference in approach between New Zealand's two parties was illustrated in the Persian Gulf crisis. Following Iraq's invasion of Kuwait, the Labour government took the position that it would only contribute to an operation under United Nations auspices. When the UN authorized the use of force, the newly elected National government immediately contributed armed forces medical teams and transport aircraft to the allied coalition. As his condition for supporting this move, the Labour opposition leader called for an unequivocal pledge that combat forces would not be sent, a pledge the government refused to make.

*Issues.* Of the specific security policy differences and issues that have punctuated the ANZUS relationships over the period of the study, the U.S.-New Zealand dispute and break was clearly the most serious and costly. Tensions in the U.S.-New Zealand security relationship had been building since the Vietnam period. Strong popular criticism of the war and then the coming to power of a Labour government in 1972 led to the pullout of New Zealand's small military contingent in Vietnam. A steady drumfire of criticism of the alliance from left-wing and, increasingly, anti-nuclear groups over the subsequent years raised the visibility and domestic political sensitivity of alliance issues. The election in 1984 of the Lange Labour government committed to denying visits by nuclear-powered or nuclear-armed ships precipitated the eventual break.

Since the break, almost all defense cooperation and most high-level bilateral dialogue have been suspended by the United States. New Zealand leaders and diplomats under both the Labour and successor National governments have mounted a series of efforts to restore as much of the consultative relationship at as high levels as possible, with only occasional and limited success to date. However, lower-level contacts and cooperation on a wide variety of (mostly non-defense) issues continue.

Australian-American security relations also experienced difficulties during the latter phases of the Vietnam involvement. Australia under a conservative government was the first ally to endorse the American decision to intervene in 1965, at least partly out of a desire to reinforce the American commitment to the effort. The government won the ensuing election on the war issue by an overwhelming margin. However, as the war turned into a quagmire, popular support declined even more precipitously in Australia than in the United States, and the war eventually was an important factor in the election of the first Labor government in twenty years. The

Whitlam government of 1972-1975 ended Australian participation in the war and sharply criticized various aspects of American policy including the bombing of Hanoi.

The reorientation of Australian security policy from the policy of forward defense and alliance partnership to one of regional focus and independent capability began in the Vietnam period, probably best dated from Nixon's 1969 Guam Doctrine declaring that henceforth America's Asian allies should look first to their own forces for defense and only as a last resort to the United States. The rethinking process continued under the conservative Fraser government of 1975-83, but was only codified in a comprehensive new policy framework under the Hawke Labor government elected in 1983.

Although the new defense policy stresses the continued importance of the alliance, the Hawke government openly opposed a number of the more muscular aspects of American security policies particularly during the Reagan years, including the strategic modernization program, the Strategic Defense Initiative ("Star Wars") and various actions in Central America. Australia's pursuit of an activist "middle power" role in regional and international security issues generally has produced a number of Australian positions and initiatives with which its American ally has disagreed.

These differences have led to periodic frictions between the two governments. The moment of greatest potential danger came in early 1985 when, simultaneously with the breakdown of U.S.-New Zealand negotiations on the nuclear issue, Hawke was forced by internal party opposition to withdraw Australian agreement to support the U.S. MX missile testing program. (This situation was salvaged largely due to a quick U.S. accommodation, facilitated by the close personal relationship between Hawke and U.S. Secretary of State Shultz.) More recently, Australian advocacy of arms control initiatives in the North Pacific has been viewed by many American security officials as an essentially perverse effort by an ally to negotiate away U.S. military dominance in the region and has triggered testy exchanges at high levels. None of these issues, however, has directly affected central aspects of U.S.-Australian security cooperation, and all have been managed within the context of a fundamentally positive relationship.

The major security policy issues of the alliance period between Australia and New Zealand have arisen subsequent—and largely consequent—to the U.S.-New Zealand split. The bilateralization of ANZUS forced Australia to set up separate (and therefore more expensive) mechanisms for consultation, exercises, and other defense activities with the United States and New Zealand. Australia also became New Zealand's primary external security partner, raising new issues in such areas as procurement and interoperability of equipment. An Australian proposal for joint production of a new series of naval frigates led to a long and difficult series of

bilateral negotiations and internal deliberations in New Zealand. Many in the New Zealand Labour party opposed the program on both economic and defense policy grounds, while from the Australian perspective the issue became something of a litmus test of New Zealand's seriousness in sustaining a capable military force as well as defense cooperation with Australia. The ultimate New Zealand decision to participate in this project, taken just after Lange was replaced as Labour prime minister, brought the process to a successful conclusion, but scars remained.

It would be inaccurate to portray the pre-1984 period of the alliance as one of pervasive harmony, followed by a period of increasing conflict and disarray. As indicated, the entire alliance relationship has been punctuated by differences of varying degrees of seriousness. Nevertheless, the latest period has seen the emergence of sufficiently distinctive positions and formulations of national interests that there is justification in identifying a broad sea change in the relationships.

*The Anti-Alliance Critique.* A particular irony in this regard is that the major changes in security attitudes and policies cannot be directly attributed to opposition to the alliance arrangements per se. Over the years, an elaborate litany of criticisms of the alliance was developed in Australia and New Zealand, primarily by the political left and portions of the intellectual communities. The arguments ranged from the putative derogation of Australian and New Zealand sovereignty to the risk of their becoming the target of Soviet missiles to the unreliability of the American commitment and military capability to criticisms of specific American policies and actions. But the anti-alliance critique consistently failed to win broad public support or the endorsement of governments of either party in either country.

Elements of the critique were undoubtedly influential in providing political impetus for the Australian Labor government's comprehensive reappraisal of defense and security policy in the 1980s. Left-wing opposition to the alliance also contributed to the New Zealand Labour Party's adoption of the antinuclear policies that led to the break with the United States in the same period. However, both the Hawke government in Australia and the Lange government in New Zealand specifically endorsed the ANZUS alliance throughout. It has not been the critique but rather the broader evolution in the context that has been the primary force in bringing about the change in the importance and role of the alliance.

*Continuity.* Despite the changes, it is virtually certain that security cooperation among the ANZUS allies will continue for the foreseeable future, at least bilaterally between Australia and the United States on the one hand and between Australia and New Zealand on the other.

The end of the Cold War changes but does not completely transform the regional security situation. It removes the most compelling common

threat, the glue that sustained the alliance over most of its history. But many regional security concerns remain—including instability in Indochina and uncertainty on the Korean peninsula. Multipolar orders in the past have not been particularly noteworthy for stability or even for responsible conduct on the part of the individual players. So mechanisms for consultation, coordination, and the assertion of leadership may in some respects be even more important in the new era than under the previous, more clearly defined international structure.

Further, no alternative institutional framework for assuring security in the region exists or is in prospect. The Asia-Pacific Economic Cooperation process could conceivably provide a vehicle for regional political-security consultations in the future, but at present such issues are only a tangential concern in APEC. Other proposals for regional mechanisms have been bruited but as yet are only in the talking stages. (To date the United States has been openly unenthusiastic about all such ideas, apparently fearing that they might simply undermine the existing security arrangements without putting an effective new system into place.) The Persian Gulf war has raised the possibility of a greater United Nations role in future international conflicts, but it remains to be demonstrated that the UN system would be able to respond effectively to conflicts in the Asia-Pacific region.

At a minimum, the alliance will remain a useful insurance policy against a reversion to a more confrontational era or the breakdown of the new order. Numerous practical elements of security cooperation—including the joint defense facilities in Australia—will continue to play important roles in maintaining stability and deterring threats. (The most topical example is the contribution of the Nurrungar facility to defense against Scud missile attacks during the Persian Gulf war.) For these reasons alone, there is no impetus from any of the three governments to do away with the alliance.

The alliance remains especially important for Australia. Alliance with the United States continues to be an important factor both in Australia's own defense structure and planning and in the security perceptions of significant portions of the Australian public. ANZUS also provides the legal framework for Australia's continuing and even closer defense relations with New Zealand. As a practical matter, and even more so following the U.S.-New Zealand break, ANZUS is an Australia-centered alliance, and will last as long, and be as intensive, as Australian governments find useful.

*New Issues.* There is a whole new agenda of "security" issues in the region that could engage cooperation on the part of the alliance partners. These include the strengthening of democratic institutions and human rights in the region, threats to the environment, organized crime (including

drug trafficking), terrorism, refugee problems, and so forth. And finally, the resource pinch is if anything worse now than in earlier periods, and thus the attractiveness of collaborative efforts is increased if these show any promise of reducing individual costs.

However, there appears to be relatively little likelihood of explicit bilateral or trilateral coordination of policies and actions in most of these areas. Each of the three countries has a different set of regional relationships, interests, domestic constraints, strengths, and liabilities. Combined efforts often risk magnifying the liabilities without increasing the effectiveness of action. There is no convincing evidence that joint approaches would be likely to advance the fundamental political principles and other values that they share—for example, press freedom in Indonesia or constitutional democracy in Fiji—partly because the domestic political constraints and the bilateral relationships with which each comes to these situations inevitably differ.

Thus, in this area their generally shared or complementary goals are most likely to be pursued through individual action, at most supported by a discreet consultation process rather than overt collaboration. This point is reinforced by necessity in the case of U.S.-New Zealand relations, due to the absence of a structured process for regular cooperation such as existed prior to the break in their security relations under the ANZUS treaty.

### **The Pacific Islands**

In the Pacific islands subregion, despite close common interests the three countries face different specific problems, and their policies and actions correspondingly will be determined in a largely individualistic manner.

With the emergence of a series of independent island states starting in the 1960s, this subregion has become more diverse and volatile than in the early post-World War II era of an "ANZUS Lake" in the South Pacific. The trends of recent years toward a wider range of international relationships on the part of the island states, problems of economic development, and stresses in the evolution of inherited political systems can be expected to continue. A degree of instability appears likely to be a regular feature of this landscape from now on.

Each of the ANZUS states has different relations with and problems in the islands, and the islands view each of them differently. Australia and New Zealand have a special yet somewhat ambivalent position in the islands. They are charter members of the major regional political grouping, the South Pacific Forum, but are also donor and former colonial states. There are significant value differences between the two European-origin states and the islands, particularly as to political institutions and processes. These were brought out most starkly in the case of the 1987 Fiji coup, which Australia and New Zealand condemned as a violation of constitutional

institutions and democratic principles, but the island governments basically sympathized with as a legitimate defense of indigenous political primacy against the threat of control by immigrant groups.

Also, with island governments increasingly experiencing internal instability and pressures for political change, both Australia and New Zealand now have to deal with expectations on the part of a number of these governments that they will provide assistance or even direct military support in the event of domestic disorder or violent opposition. They may well be faced with some very difficult decisions in this regard.

Australian and New Zealand relations with the islands are also to a degree competitive. There is a long history of competition between commercial interests of the two countries, and a measure of political rivalry as well. Each country has special links with individual states—e.g., Australia with Papua New Guinea, New Zealand with the Cook Islands and Niue. New Zealand tends to have closer relations with the Polynesian islands generally, due both to geography and the fact that New Zealand's Maori people are Polynesian. Though in part complementary, these differential ties in the islands also contribute to a unique outlook and approach by each of the two governments.

In its relations with the islands, the United States has the problems of the giant in Lilliput. Island perceptions of what the United States can and should do in the region can easily be exaggerated, and the United States for its part has been guilty alternately of neglect of the islands (its own territories as well as non-U.S. entities) and of overwhelming attention (as when the Great Society welfare programs were rather uncritically applied to the U.S. trust territories in the 1970s, with the perverse effect of virtually destroying local economic initiative). In recent years the United States has been working to improve its dialogue with the islands, most dramatically illustrated by the October 1990 summit meeting between President Bush and island leaders in Honolulu. But there is always the danger of clumsiness and unintended insensitivity in this relationship, as when the U.S. Army recently constructed a chemical weapons destruction facility on Johnston Island without informing the island governments despite the known sensitivities of the island states on such matters. Following the summit, the United States now has the problem of meeting the raised expectations of attention and sensitivity.

These are different problems for the three countries that do not readily lend themselves to a common or coordinated strategy. The islands would resent and resist any appearance of a concerted approach with its implications of neocolonial diktat. In fact, the islanders generally prefer to deal with each of the three separately, which helps them balance the influence of each. So although there will always be areas in which consultation is appropriate and useful—such as to exchange information and assessments

or to minimize duplication of activities in these very small entities—it seems unlikely to go beyond this rather minimal level.

### **Regional Economic Cooperation**

All three countries are and can be expected to continue to be supporters of the budding effort to enhance Asia-Pacific economic consultation. As indicated in the preceding section, the Asia-Pacific region is of increasing economic importance to all three. However, there are difficulties in dealing with the region as an economic unit.

First, it is difficult to identify specifically regional interests and issues, as versus international or bilateral issues, that set the region apart economically and should be dealt with on this basis. The Asia-Pacific Economic Cooperation effort launched by Australia in 1989 has provided a good illustration of this dilemma. In advancing the original APEC proposal, the Australian government was at pains to stress that APEC was not intended to be an inward-oriented group or the basis for a trade bloc. However, the potential of a common market has been at least a major stimulus for most successful regional economic groupings, such as the European Community, the U.S.-Canada free trade area, and even CER. Alternatively, if APEC is seen as providing leverage to the group in other international economic forums, the views of its own members on most issues are sufficiently varied that it is not clear what common positions might be advanced by the group as a whole. Therefore, the question naturally arises as to what concrete functions the grouping will serve beyond the (nevertheless useful) purpose of providing a forum for the airing and exchange of members' views on economic trends and issues.

Under these circumstances, inevitably there will be a variety of individual ideas as to the desirable scope, agenda, and objectives of regional economic cooperation. In this context, the approaches of the three ANZUS states do not completely mesh. Australia's original formulation for APEC did not include U.S. membership, apparently due partially to momentary stresses in the bilateral relationship but also because in making the APEC proposal the Australian government wanted to emphasize its own identity with the Asian economic region. The cautious American response to the initiative in part simply returned the compliment but more importantly reflected the importance the United States attached to its relations with the ASEAN grouping and its desire to be certain the ASEAN states did not view APEC as a threat to their interests. More recently, the Malaysian proposal for an East Asian Economic Grouping did not include any of the ANZUS countries, suggesting that all three have a legitimate reason to look first to ensuring their own acceptance in regional councils.

Thus, in its approach to regional economic cooperation each of the three countries has its own individual agenda and policy priorities. Each will

also retain its own wider economic orientation. Individual and to some degree competitive interests seem likely to predominate in national policy making in this field over considerations of mutual interest or alliance solidarity.



## IV. MANAGEMENT OF EVOLVING RELATIONSHIPS

The final objective of the project was to consider the future prospects for the relationships among the three countries, and what lessons might be drawn from their past experience about management of the relationships in the future.

In some circles, the concept of "management" of international relationships seems to have acquired sinister overtones—almost synonymous with "malevolent manipulation." To those who work with intergovernmental relations it is almost axiomatic that effective "management"—the establishment and maintenance of mechanisms for communication, early identification of issues, and problem solving—can be the element that makes the difference between productive and mutually beneficial relationships and simply cosmetic or conflicted ones. In this discussion, it is the latter, more functional sense of the term that is intended.

### **The End of Trilateralism**

The overwhelming conclusion of the study is that relations among the ANZUS states are now both more complex and more uneven than they were at the start of the period, and are likely to become even more so in the foreseeable future. The security element in the relationship will probably assume an even lower priority in the coming years, presuming present international trends continue, while ad hoc cooperation on a wide range of issues is likely to figure increasingly large in the dialogues among the three.

The U.S.-New Zealand breach in 1985, by breaking the trilateral framework, provides a convenient demarcation point between an era of at least formal tripartite collaboration and an era in which cooperation will principally take place on a bilateral basis among each of the three pairs. Although its timing was in part the result simply of historical coincidence, the U.S.-New Zealand break thus effectively symbolizes the end of the alliance era and the beginning of an era of looser though even wider-ranging cooperation.

Events since the launching of the Australia-New Zealand-U.S. relations project have both underlined and further accelerated the major changes in the circumstances and agenda of the relationships. The optimistic anticipation of lessened East-West confrontation at the start of the period was overtaken by the collapse of the Eastern European communist regimes and the effective end of the Cold War. Concerns about the evolution of the international economic system have crystallized as the Uruguay Round of GATT negotiations resulted in stalemate and heightened fears of a collapse of internationalism and the resort to regional trade blocs.

At the same time, other events such as the crushing of the democracy

movement in Tiananmen Square in June 1989 and the more recent internal chaos in the USSR have confirmed that the way forward will not be smooth, and the Persian Gulf conflict in 1990-91 showed that the international community still faces potentially serious security threats in various regions and guises. However, even these events lacked the galvanizing force of the previous perception of a Western coalition locked in mortal struggle with totalitarianism, which had led governments in all three countries to give priority in national decision making to security considerations and alliance interests.

The major current challenge to all three countries—to restructure their economies and recover their international economic health and competitive strength—in its own way poses as fundamental a danger to the long-term security and well-being of these societies as the threats of totalitarianism and global war in the earlier period. However, this new challenge has neither been perceived nor articulated in terms that would contribute to a renewed sense of alliance solidarity.

Paradoxically, in absolute terms there is probably more cooperative activity now among the three countries today on both global and, especially, regional issues than at earlier periods. The number and diversity of these issues are growing: global warming, marine conservation, Antarctic preservation, drug control, and disaster prevention and relief, to name just a few. But this cooperation is only very rarely conducted on a trilateral basis, and frequently it is not even strongly bilateral but rather occurs in the context of building broader coalitions of like-minded states on specific issues.

It is also frequently the case—perhaps even in the majority of instances—that the views of the three countries and their approaches to these problems differ, so the purpose of the consultation process is often not so much a matter of concerting strategy as of conducting a dialogue aimed at understanding and reconciling differences or attempting to identify a minimum area of commonality. Further, as previously noted, in the new regional conditions trilateralism may even be directly counterproductive to the interests of the three countries in their quest for acceptance within the region.

### **Changing Political Dynamics**

In one sense, the reduced salience of security cooperation in the relationships in the new era can be a healthy development. The overwhelming concentration on security matters in the relationships throughout most of the postwar period had a distorting effect on perceptions and management of the relationships.

On the U.S. side, a single-minded focus on the security relationship led busy and generally preoccupied decision makers to pigeonhole the allies, thinking in terms of a rather simplistic version of the relationship. Most

importantly, this oversimplification made it all too easy for the U.S. policy process to act as though security cooperation matters (such as the "joint defense facilities") were all that really counted with the United States.

In Australia and New Zealand, the focus on security cooperation produced a similar myopia. On the one hand, the sense of need for a "great and powerful friend" led to a feeling of dependence on the United States, and a corresponding susceptibility to anger and frustration when the Americans were not seen as reciprocating this loyalty. At the political level, the recognition that the alliance was the only significant aspect of the relationship to the Americans (or at least the only aspect guaranteed to get their attention) created a strong incentive to use security cooperation (the joint facilities in Australia are again a prime example) for leverage on various other issues, from arms control to agricultural policy.

The security preoccupation also provided an irresistible temptation to politicians in Australia and New Zealand to use the alliance for domestic political purposes, with serious counterproductive risks over the long run. During their period of dominance in Australia and New Zealand, the conservative parties openly politicized the alliance, presenting themselves as the only party willing and able to sustain the relationship. (Labor party leaders have also shown proclivities for political manipulation of alliance issues when in a position to do so, but had substantially fewer opportunities than the conservatives during most of the postwar period.)

American administrations and their representatives in the two countries also tended to identify overall U.S. interests in Australia and New Zealand with the alliance. The operative test applied to individual leaders in these countries became whether they were "on our side." This attitude all too easily translated into the equation of political control by the conservative parties with U.S. interests. The labor parties, which were more critical of the United States and the alliance, tended to be seen as threatening to U.S. interests, and thus were kept more at arms length during their years in opposition. Such political body language easily gave the appearance of an American desire to manipulate the domestic political affairs of the ally (an image that many on the left of the labor parties were only too ready to believe). Most importantly, as vividly illustrated in New Zealand after the election of the Lange Labour government in 1984, such an attitude on the American side did not provide a promising basis on which to work with labor governments on alliance or other issues.

The reduced importance of security issues in the new circumstances changes much of this political dynamic. It should allow decisions involving the relationships to be made on the basis of a more careful and sophisticated appraisal of overall national interests and of the balance of costs and benefits involved.

However, this change does not necessarily mean that the management of relations among the three governments will be easier or smoother in

the coming years. In the new context, the natural tendency of democracies to give first priority to domestic political considerations rather than external (including alliance) interests will be reinforced. This will be particularly true in the case of issues that have a direct impact on important domestic constituencies (e.g., agricultural exports), even though it may be at the cost of serious strains in relations with international partners. Thus, the general challenge to political leadership to make international cooperation work despite competing domestic pressures will apply—perhaps in even greater measure—to relations among the ANZUS states. The intensity and value of cooperation in the new era will be very much a function of the will and skill of leadership on all sides.

### **The Legacy of Alliance**

Relations among the ANZUS states are clearly entering a new era. The question is what will be the role of the alliance relationships in this period. As indicated, defense cooperation can be expected to continue at least on a bilateral basis between Australia and its two partners. There will also be varying needs for consultation on a wide range of other issues as well. But close coordination is likely to be difficult on much of this rather eclectic agenda of issues, and the alliance itself does not seem to provide the most natural or appropriate framework within which to deal with the new agenda.

On the other hand, the combination of increasing interdependence, a wider range of issues of common interest, and a greater diversity of individual views and approaches only reinforces the importance in the new era of effective channels for communicating and resolving issues among the three governments. The processes and relationships created in the alliance era can play an important role in this regard. Particularly among democracies, with their high turnover of top leaders (e.g., 9 U.S. presidents, 8 Australian and 10 New Zealand prime ministers, and even more rapid ministerial rotations over the 40 years of the ANZUS treaty), mechanisms that ensure regular consultations and allow the development of personal relationships among key national leaders can have a major impact on both the tone and the substance of the government-to-government relations.

It is always more difficult to set up new mechanisms of this sort than to adapt institutions that already exist. The establishment *de novo* of formal consultative arrangements between the United States and the much smaller antipodean countries seems almost unimaginable under current and prospective international conditions. The more pertinent question then is whether the arrangements established under the ANZUS umbrella will be successfully adapted to the needs of the relationships under the new circumstances.

The ANZUS relationships have an instructive record of adaptation to

changes in circumstances. The initial framework for cooperation established in 1951 was both unidimensional in its focus on security issues and skeletal in its structure. In the 1960s the range of security involvements broadened, particularly with the establishment of the joint defense facilities in Australia. It soon became apparent that this expanded cooperation required improved means of managing those involvements; such mechanisms were developed in the 1970s. (In a harbinger of future developments, nationalistic resistance in New Zealand blocked the establishment of comparable new installations on its soil, and thus the U.S.-New Zealand relationship was not required to make similar adjustments.)

In the 1970s and the first half of the 1980s, nuclear issues gained prominence on domestic political agendas. The most difficult challenge to the alliance was how Australia and New Zealand (both of which had national nonnuclear policies) would deal with the issue of nuclear-powered and nuclear-armed U.S. ships. The United States and Australia were able to reach an agreed resolution to this question; the United States and New Zealand were not. In the aftermath of the U.S.-New Zealand split, Australia and New Zealand successfully reconstructed their bilateral defense ties to adapt to the new circumstances in the alliance.

In the 1980s, a series of new economic issues gained prominence in the relationships. For Australia and New Zealand, the CER accord of 1983 marked the start of a major broadening—and testing—of their relationship. The sharp clash between Australia and the United States over U.S. agricultural export subsidies strained that relationship but also led to a further expansion of the content of their alliance dialogue.

In each of these instances, external developments stretched or exceeded the capacity of the established arrangements for managing the relationships. The arrangements had to be adapted to meet the new requirements. Successful adaptation at one stage positioned a relationship well for the next challenge; correspondingly, non-adaptation at one stage complicated the resolution of future issues.

In the case of Australian-American relations, the success of this process to date has left a legacy that bodes well for the management of the relationship in the future. There seems every reason to expect that, in addition to supporting continuing defense cooperation, the existing consultative arrangements will play an important role in facilitating dialogue on the broader international agenda. Indeed, if anything the bilateralization of the ANZUS consultative process has made this mechanism even more useful as a channel for Australian-American consultations, and it clearly has increased Australia's ability to define the agenda. Australia's energetic "middle power" posture and the relatively broad range of international issues in which Australia takes an active part will increase the utility and value of this consultative link.

The broadening of the annual Australian-U.S. ministerial consultations

to give more prominent attention to economic issues reflects the new realities of the relationship and therefore has value for both sides. However, the structure of this process still does not facilitate such exchanges, because economic ministers are not formally included. Some further adaptation accordingly seems desirable. (Current indications point toward the development of a separate track for economic consultations.)

By contrast, the legacy of the alliance era for the U.S.-New Zealand relationship is more problematic. Over the longer run, the greatest cost of the split may prove to be the loss of a well-established channel for regular, high-level communication. A final irony that emerges from the study is that, at a moment when the world was on the verge of making real progress in reducing the nuclear terror, the U.S.-New Zealand relationship was not able to deal successfully with the nuclear issue. The result was a major breach in the framework for dialogue between the two countries that might have served them over a range of other issues in the future.

Efforts have been made and will continue, principally from the New Zealand side, to create some functional replacement for the consultation mechanism provided by the alliance relationship. Over time, more frequent high-level meetings will undoubtedly resume. However, any effort to regularize such exchanges will inevitably run into the reality of New Zealand's very small size and the correspondingly low priority of such an undertaking from the American end even as the antagonisms from the break in alliance relations fade. There is simply no escaping the effect of scale.

The legacy of the ANZUS alliance for Australia and New Zealand is more difficult to specify, mainly because this bilateral relationship is so much broader than the alliance. ANZUS never played the central role in Australia-New Zealand relations that it did on the other two legs of the triangle. That Australia did not allow the U.S.-New Zealand split to disrupt its own defense ties with New Zealand—even though it agreed with the United States on the substance of the issue and the Americans regarded the issue as critical to alliance relations—was in itself evidence of this fact.

The record of adaptation and expansion of the Australia-New Zealand relationship is clearly the strongest of the three (despite a checkered history of personal relationships at the highest levels). On the defense side, the bilateralization of ANZUS has made security cooperation somewhat more expensive and perhaps less effective in strictly military terms, but if anything defense cooperation has now been vested with greater importance to the bilateral relationship than it previously had. Indeed it is arguable that New Zealand's defense forces are now more integrated with—and dependent on—those of Australia than would otherwise have been the case.

The alliance-based consultative processes have nevertheless been only one of a series of mechanisms that support this relationship. The CER arrangements, which were not an outgrowth of the security alliance, are clearly far more important than ANZUS to the long-term future of Australia-New Zealand relations. Progressive economic integration may even eventually raise the question of political union between the two countries. The ANZUS experience itself has not been an impediment to this process, but it has not been a significant motive force either.





## V. TOWARD BETTER UNDERSTANDING

Over the course of the project, several areas were identified where further study is clearly warranted, for the dual purpose of better explaining the past evolution of the relationships among the three ANZUS states and improving understanding of the factors and dynamics that are likely to influence the relationships in the future.

### **Perceptions and Attitudes**

First, in an era of increasing international interactions and interdependence, we do not know enough about how attitudes toward other countries are formed and changed, both on the part of general publics and leadership groups.

The study identified significant gaps in the knowledge of these societies about the others, as well as important biases in the attitudes of each toward the others. A deeper understanding not only of the sources of information but of the dynamics of these processes would be useful in its own right and also might provide more general insights into the subject of international perceptions.

In the case of the United States there is a particular need for a better understanding of how American leadership groups learn about and view relationships with America's less prominent international partners. In Australia and New Zealand, it would be useful to know more about the degree to which trends in attitudes toward the United States reflect general perceptions of America and U.S. influence on these countries as opposed to more specific events and trends such as bilateral issues (e.g., the U.S.-New Zealand split or the agricultural subsidy dispute), or international developments (e.g., arms control negotiations, the invasion of Panama, or the Persian Gulf war). In the case of New Zealand, one specific question is whether perceptions of American "bullying" over the nuclear ships issue are persisting over time and have affected general attitudes toward the United States and U.S.-New Zealand relations.

Finally, as Australia and New Zealand move closer to *de facto* economic integration under the CER, and become more interdependent in defense as well, more detailed knowledge of the impact of these trends on attitudes in both countries toward closer political relations would be a valuable aid in decision making on both sides about the future of their relationship.

Underlying all these questions is the more general issue of the relationship between cultural exposure and information (particularly as acquired via the popular media) and feelings of affinity or dislike. New Zealanders have consistently high levels of exposure to American cultural influences yet rank the United States relatively low (and distinctly lower than

Australians do) on affinity measures; the American public is enormously ignorant about both Australia and New Zealand and yet is quite favorably disposed. A similar inverse pattern of knowledge and affinity exists in New Zealand-Australian relations. A better understanding both of the sources of information about each other and of the factors influencing reactions to these images would be valuable to scholars and policymakers alike, and on a practical level might also help identify means of increasing both the level and the accuracy of knowledge in these societies of the others.

### **Effects of Economic Interdependence**

More focused research is needed on the extent, dynamics, and effects of economic integration through trade and investment flows, including the balance of gains and losses between the smaller and larger partners in such exchanges.

Specific questions that should be explored in this area include whether and in what ways growing levels of investment and trade among the countries are creating interdependence between the countries. Do these cross-relationships affect policy making by governments and if so, how? It would be useful to know more about the factors that influence business decisions over alternate locations for investment and market development, and to have a more detailed understanding of the impact on the smaller and larger partners of this process. For example, does investment tend to flow predominantly to the larger partner, and what is the impact on businesses in the smaller partner of access to the larger market. Such research would help inform the inevitable political debate on both sides over whether to continue or restrain these processes.

### **Tools of Modern Diplomacy**

Finally, a more sophisticated understanding is needed of the tools with which modern international relationships are influenced—what degree of conscious management is necessary to sustain mutual benefit and satisfaction, what techniques are effective, and what is acceptable to the societies involved.

The management of international relations is still treated largely as an art, not a science. Obviously, there will never be a substitute for judgment and tactical skill in the making and implementation of foreign policy. However, there is also no question that international relationships could be better informed and served by the application of modern tools of analysis and communication. The practice of domestic politics seems to have progressed light years ahead of international diplomacy in this respect.

Techniques from the modern lexicon of domestic politics that can be applied to international diplomacy include the use of detailed polling for information gathering, targeted advertising and other public relations strategies, and direct lobbying with key decision makers. In a rather halting

and limited way, all of these techniques are now being utilized in relations among the ANZUS states. But in all these areas there are serious questions about how to measure effectiveness, and above all, what tools are appropriate or acceptable in terms of the fundamental values of the societies.

For example, is the commissioning of an opinion poll in one country by the government of another an intervention in the internal affairs of that country? If the question is really important, would it not (or should it not) be asked by domestic institutions in that country? Does such conduct constitute intervention only when carried out by a larger country in a smaller one (e.g., by the United States in Australia or New Zealand), where the atmosphere is likely to be more sensitive, but not when conducted by the smaller country in the larger (e.g., by New Zealand in the United States) where it is not likely to attract much notice?

With respect to diplomatic "lobbying," is it appropriate for Australia to attempt to enlist the support of U.S. defense industries to lobby against U.S. subsidies for agricultural exports on the grounds that by hurting Australia this will harm their own overseas markets? Or, in the "public relations" field (which governments tend to call "public diplomacy"), when and to what degree is it appropriate for one government to make its case directly to the people of another country on an issue where it has a disagreement with that country's government? (Prime Minister Lange claimed that such efforts by American diplomats during the period of the dispute over nuclear-ship visits constituted unwarranted intervention in New Zealand's internal affairs, but did not seem to feel similar constraints in his own public appearances in the United States.)

There is, of course, one simple answer to all these questions. This is that one does what the market will bear, and that decisions among instruments must always take into account local sensitivities, the possibility of negative reactions, etc. Obviously this is true. But a more careful examination of the available tools for conducting international relations might be able to frame debate and choices on these issues more clearly. Ultimately, it could help establish updated diplomatic "rules of the game" that would facilitate improved international understanding and relationships in the increasingly interdependent and complex world in which these three—and all other—nations will be living for the foreseeable future.



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