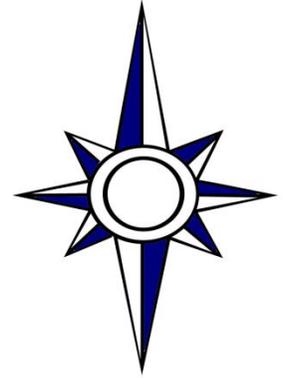


Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Australia-East Asia/US Relations: Rebooting the Alliance

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The Obama administration's military rebalancing to Asia helped reboot the US alliance with Australia. Indeed, the arrival of US Marines in northern Australia put real boots into the reboot. The announcement that the Marines were heading for Darwin was the centerpiece of President Barack Obama's visit to Australia in November. After the alliance intimacy achieved by two conservative leaders – George W. Bush and John Howard – it seemed unlikely that a Democrat president and a Labor prime minister could tighten the alliance bonds further. Obama and Gillard managed it, proving again the special status of the alliance for both sides of Australian politics. The Marine deployment became an important element in the broader debate in Australia about the emerging power system in Asia and the terms of Australia's future relationship with its number one economic partner, China. Even in trade, Australia now faces different US and Chinese visions of the institutional framework for Asia's future.

Obama and Darwin

The rare mention of Australia's Northern Territory in international news is usually when a crocodile eats a tourist; this is the remote country brought to the movies by *Crocodile Dundee*. In 2011, Barack Obama conferred on the territory's capital, Darwin, a strategic significance it last had in Asia when the Japanese bombed the port in 1942 (and in their first raid, dropped more bombs than fell on Pearl Harbor). The US president dropped his bombshell in Canberra, at a joint press conference with Prime Minister Julia Gillard and in an address to Parliament – and then Obama and Gillard flew to Darwin just to underline the message of US boots on the ground. As Obama told Parliament, the "larger purpose" of his visit was the "broader shift" toward the Asia-Pacific, what he described as "our new focus." He told Australia's MPs and senators that he had made "a deliberate and strategic decision" that the US would play a larger role in shaping the region: "The United States is a Pacific power, and we are here to stay."

The president announced two new US force posture initiatives: the rotational deployment of US Marines to Darwin and increased visits by US Air Force aircraft to bases in Northern Australia. As a third future priority, Australia and the US will look at increased US Navy use of Australia's key Indian Ocean port, HMAS Stirling, near Perth, now the largest Australian Navy base. Starting early in 2012, US Marines began a regular deployment for around six months at a time, to conduct exercises and training with the Australian Defence Force. The first deployment was a small liaison element and a company of 250 Marines. In coming years, this will build to a rotational presence of up to a 2,500 person Marine Air Ground Task Force.

The Labor government and the opposition coalition, the Liberal and National Parties, were equally effusive in embracing the Obama initiatives. The only competition between the two sides was to see which could be more enthusiastic in welcoming the US decision to make Australia an important element of its Asia “pivot.” Prime Minister Gillard said the increased US presence in northern Australia “will see our alliance remain a substantial influence in a new century of regional change.” Opposition leader Tony Abbott said the coalition parties would be happy to see a new joint facility in Darwin, giving the US permanent basing rights in Darwin.

The commitment of US forces to Darwin was described by *The New York Times* as “the first long-term expansion of the American military’s presence in the Pacific since the end of the Vietnam War,” and by China’s state-controlled press as raising the risk to Australia of being “caught in the crossfire.”

The initial reaction from Indonesia to the Darwin announcement was negative. Foreign Minister Marty Natalegawa said he would hate to see a cycle of reaction and counter-reaction, producing a “vicious circle or tensions and mistrusts.” But Indonesian President Susilo Bambang Yudhoyono has been warmer. In July 2012, Yudhoyono flew to Darwin for a three-day visit and talks with Prime Minister Gillard. In travel time saved, this made sense as you can fly from Jakarta to Darwin in half the time it takes to fly to Sydney or Canberra. The symbolism, however, was that in going to Darwin, Yudhoyono was following Obama. And, Indonesia may soon be joining in those exercises with the US and Australia.

Australian Defense Minister Stephen Smith said during Yudhoyono’s visit that planning is under way for an Australia-US-Indonesia joint exercise in northern Australia in 2013. Smith said China would be invited to send observers and eventually to take part in exercises. “Australia, the US and Indonesia are indicating to China that as we start to see trilateral and multilateral exercises emerge out of the presence of US Marines in Darwin, we will want China involved in those,” Smith told *Financial Review*. “In a very short space of time, either through the ASEAN-plus Defence Ministers or through the East Asia Summit, or through each of us agreeing to do multilateral exercises, we’re going to see either Chinese observers or, ultimately, Chinese military participation. In the long term I can see Chinese troops involved.”

Australia, the US, and China

The US reboot, or pivot, or rebalance is being made with a firm focus on China. The logic line in much of the commentary on the Obama announcement ran from Darwin to Southeast Asia and the South China Sea, directly on to Beijing. One of the wittier expressions of this was from former US National Security Adviser Zbigniew Brzezinski, who told the *Financial Times*, “I was not aware that Australia was about to be invaded by Papua New Guinea, or by Indonesia.” Brzezinski then followed the logic line saying, “I assume most people think Obama was thinking of China. What’s worse is that the Chinese will think he’s thinking of China and to define our engagements in the East in terms of China is a mistake. We have to focus on Asia but not in a manner that plays on everyone’s anxieties ... It becomes very easy to demonize China and they will then demonize us in return. Is that what we want?”

Much Australian commentary revolved around this logic and this question. The Australian debate has had two separate but intertwined elements. One element was seen as a great positive toward the further enhancement and deepening of the alliance with the US. As noted, the Labor government and the Liberal-National opposition are united in embracing Obama's use of Darwin as a pivot point. The tension comes with the second element: how the alliance impacts Australia's relations with its biggest economic partner, China, and the emerging power relativities in Asia. The chief of the Australian Defence Force, Gen. David Hurley, caught those two elements with one comment: "When I am asked by my US counterparts what's my major concern about the relationship between Australia and the US, I say, the relationship between your military and the Chinese."

Reflecting on trips to Washington and Beijing, opposition leader Abbott said that Australia would have to work much harder on the relationship with China because there was none of the "cultural interoperability" that Australia has with the US:

There's no doubt that the Americans are taking the Chinese seriously and that the Chinese are well and truly returning the compliment. In Washington, the issues were: Will China play by the rules in the South China Sea; has China 'bought' friends inside ASEAN; and what's the purpose of Chinese cyberattacks on Western institutions and businesses? In Beijing, they were: why is there a new US Marine posting to Darwin and why is Australia choosing its history over its geography (even though we're determined not to make such an invidious choice)?

Chinese questioning of the Darwin rotations often comes with a reference to another Australian action that was explicitly aimed at China. Australia has banned the world's largest telecoms equipment maker, the Chinese firm Huawei, from tendering for contracts for the nation's largest infrastructure project, the A\$36 billion national broadband network (NBN) project to build a new high-speed broadband network across the continent. News of the ban became public in March. Huawei said it was told just before the end of 2011 by a government official that the company should not tender for NBN contracts, linking the decision to Chinese cyberattacks on Australia. Prime Minister Gillard said Australia had barred Huawei from involvement in the broadband network because of "national security." A spokesman for the Chinese Foreign Ministry said Australia was guilty of "wearing coloured glasses and obstructing Chinese companies' normal operations in Australia in the name of security." Describing the relationship with China as robust, Gillard said Australia had not broken any international trade rules or agreements with China in acting against Huawei: "It is a decision open to the Australian Government. We've taken it for the right reasons through the right process, based on the right advice about a piece of critical infrastructure for our nation's future."

The unanimity of the government and opposition embrace of the alliance in the Darwin announcement contrasts with the diverse opinions on both sides about what this means for Australia's relations with China. The leader of the Labor Party from 2003 to 2005, Mark Latham, said the present Labor leader, Prime Minister Gillard, had made a "horrific mistake" in signing up to a US policy to contain China, wedging Australia in the middle of the great geopolitical tensions of the 21st century:

After 20 years of telling the Australian people we do not need to make a choice between our long-standing security alliance with the US and our flourishing trade relationship with China, Labor has sided with the Americans. This is the significance of President Barack Obama's recent visit and his announcement of a build-up of US forces in Darwin. For the first time, ANZUS is being aimed at the containment of China. For the first time, Australia's major trading partner is also our major defence and security concern.

On the other side of politics, the previous opposition Leader, Malcolm Turnbull – deposed in a party-room vote by Abbott in 2009 – struck a similar note. Turnbull is still on the opposition front bench, so his criticism was worded as being directed against government: “An Australian government needs to be careful not to allow a doe-eyed fascination with the leader of the free world to distract from the reality that our national interest is truly – and not just rhetorically – to maintain both an ally in Washington and a good friend in Beijing, which is after all our most important trading partner.” Turnbull said Australia should not join any futile attempt to contain Asia's rising power.

Former Labor Prime Minister Paul Keating weighed into this argument in August when launching a book by Hugh White, a professor of strategic studies at the Australian National University and a former deputy secretary at the Defence Department. White's book is entitled *The China Choice – Why America should share power*, building on the argument made in his influential *Quarterly Essay*, published in 2010, “Power Shift: Australia's future between Washington and Beijing.”

White argues that the US has only three choices:

- to withdraw from Asia;
- to push back against China to maintain US supremacy, producing “a new and dangerous era of rivalry”;
- to seek agreement on a new order in Asia, conceding China a bigger role that would mean “America and China would share power in Asia as equal partners in a joint regional leadership.”

Endorsing White's analysis, Keating argued that “the future of Asian stability cannot be cast by a non-Asian power – especially by the application of US military force.” He said Australia had to abandon the presumption that its foreign policy could be synonymous with that of the US:

The relatively rapid rise of China will demand clarity in the points of differentiation. Yet the debate around China has carried with it the assumption that Australia has no choice but to support American primacy in Asia against the threat of Chinese hegemony. This assumption, Hugh White says, now needs to be challenged. And I agree with him; it does. All of us in the debate in Australia believe Asia will be a safer and better place with the continued engagement of the United States in the region. Strategically, it is likely to be more peaceful and more settled. And with our trade preponderantly in North Asia and the greater part of that with China, there is every reason to support the development of a cooperative structure between the United States and China in the Pacific. And this must mean recognising China's legitimacy,

its prerogatives as a great power and the legitimacy of its government. If we are pressed into the notion that only democratic governments are legitimate, our future is limited to action within some confederation of democracies.

A week after Keating's comments about White's book, the top Asia policy official in the US State Department, Kurt Campbell, said it was "foolhardy" to think Australia needed to make a choice between America and China, telling Australian reporters that Washington wanted to correct "false assessments" in Australia's strategic debate which he described as "inaccurate and overwrought." He said the US had explained to China the deployment of Marines to Darwin and Beijing's "concerns have subsided substantially, and in none of our recent interactions with China has it come up." Campbell said it was unnecessary for Australia to think it had to make a choice between its strong alliance with the US and its relationship with China. He said it was patently false that the US was trying to exclude China from sharing power, arguing that "No country has taken more trouble to engage with China." He said that if anything, the US had been giving China more responsibility in global affairs than it was comfortable with. "Look at the role they play in international relations in the global economy, look at the role they play across the spectrum," he said, citing Iran, Syria, North Korea and issues of nuclear non-proliferation. "You name it, there are ample opportunities for China to play a larger role in politics ... not just the US but every country in Asia is seeking to have more space for China."

One of the last big policy speeches Kevin Rudd gave before leaving the post of foreign minister was to the Asia Society in January on the need for a "Pax Pacifica" to calm the rivalry between Beijing and Washington. In the New York speech, Australia's Mandarin-speaking former prime minister said the Asia-Pacific had to evolve a "rules-based order." He quoted the view that in less than five years China's economy, in purchasing power parity, will be bigger than the US, marking a profound turning point of "truly historic proportions." Within those five years, he said, Asia will constitute nearly a third of global GDP and the US less than a fifth.

Rudd said the "brittleness in the security policy realities" of Asia runs counter to the ever-deeper economic engagement of recent decades, raising the threat of "strategic drift, ideological conflict and irreconcilable interests." The foreign minister said the region had to move beyond the existing Pax Americana: "The task today is whether together we can craft something which the history books of the future might call Pax Pacifica – a peace that will ultimately be anchored in the principles of common security, recognising the realities of US and Chinese power as well as the continuation of US alliances into the future."

The Labor government will set out a whole-of-government approach to these issues in a White Paper on the Asian Century, expected to be released in October. Kevin Rudd will speak on that paper from the backbench. In February, Prime Minister Gillard accused Rudd of trying to destabilize her leadership and he resigned as foreign minister. In the Labor caucus leadership vote, Gillard defeated Rudd 71 votes to 31.

Australian Defense cuts and force structure

Australia is cutting the growth of its defense budget, reviewing force structure, and bringing forward a new Defense White Paper, to be published next year before the federal election. The

Labor government, determined to return the federal budget to surplus, has started taking cash from defense, cutting away the financial lines set out in the previous 2009 Defense White Paper. The national budget announced in May cuts a total of A\$5.5 billion from the defense budget over four years. This was rated an historic cut by Canberra's leading guru on defense spending, Mark Thomson, program director for budget and management at the Australian Strategic Policy Institute. He said, "The numbers tell the story. Next year the defence budget will fall in real terms by 10.5 percent, the largest year-on-year reductions since the end of the Korean conflict in 1953. As a result, defence spending as a share of GDP will fall to 1.56 percent the smallest figure recorded by Australia since the eve of WWII in 1938."

America has started to voice unease about those budget cuts, especially the fall in the percentage of GDP devoted to defense. After talks in Canberra in July, the commander of US forces in the Pacific, Adm. Samuel Locklear, said defense spending "is not something you can turn on and off with a switch from year to year based on how bad the economies are."

Locklear contrasted the Australian trend with NATO, where he said the standard was about 2.5 percent of GDP. He said, "There are many nations that don't meet that, from time to time, and so it's not for me to comment on how the Australian people decide to do it, but I would hope that in the security environment that we are in that there is a long-term view of defence planning that has the proper levels of resources behind it. This is the same thing that I say to our own leadership in my own country, because we are faced with similar decisions."

Former US Deputy Secretary of State Richard Armitage used the annual Australia-America dialogue to argue that Australia cannot take "a free ride" by cutting its defense spending below the "basic standard." Armitage told *The Australian* newspaper, "I am a bit concerned about the decline of the Australian defence vote. NATO has an entry price of 2 percent of gross national product on defence. It's not always honoured but it's a basic standard."

In May, the government released the final report of Australia's Defence Force Posture Review, conducted in parallel with the US's own posture review. The report by two former secretaries of the Defence Department found some weaknesses and risks associated with the capacity of bases in northern Australia. Allan Hawke and Ric Smith questioned the capacity of Australian forces to sustain high-tempo operations in northern Australia and the neighboring region.

The force posture review considered Australia's stance against a range of emerging factors:

- the rise of the Asia-Pacific as a region of global strategic significance;
- the rise of the Indian Ocean rim as a region of global strategic significance;
- the growth of military power projection capabilities of countries in the Asia Pacific;
- the growing need for the provision of humanitarian assistance and disaster relief following extreme events in the Asia Pacific region; and
- energy security and security issues associated with expanding offshore resource exploitation in Australia's North West and Northern approaches.

In their report, Hawke and Smith said: "Australia and the United States are seeking to align their respective force postures in ways that serve shared security interests. The United States is

looking to develop a more flexible and resilient military posture in the Asia-Pacific, and access to facilities and training areas in Australia has become more important to its regional posture.”

The two former defense secretaries said that Australia should apply its existing policy of “Full Knowledge and Concurrence” to any increased US presence on Australian soil. The approach should cover US activities in, through, or from Australian territory. This would follow the policy applied to the Joint Defence Facility at Pine Gap, near Alice Springs, a signals intelligence base that has a US commander with an Australian deputy. The “joint facility” terminology means that Canberra can deny that there will be any permanent US military bases established in Australia.

Part of the Obama announcement in Canberra was of more regular visits to Australia by US bombers, tanker aircraft, and surveillance aircraft, including *Global Hawk* UAVs, as well as deployment of equipment in Northern Australia. Beyond the continent, the Hawke-Smith report said Australia’s Cocos (Keeling) Islands in the Indian Ocean have significant military strategic value as a staging location for maritime air patrol and surveillance activities, given their Indian Ocean position, close to Southeast Asia. They reported that the Cocos Islands airfield is in poor condition and needs to be lengthened and strengthened to support the larger aircraft: “At present, *Global Hawk* UAVs could operate from Cocos Islands, but the condition of the airfield and its limited infrastructure impose constraints.”

The Defence Force Posture Review report will form part of the security and strategic considerations feeding into the 2013 Defence White Paper, which was scheduled for 2014, but the government has brought it forward so the new policy can be announced before the federal election, scheduled for the end of 2013. Defence Minister Smith said the new white paper will respond to significant international and domestic developments since the previous 2009 paper:

- The ongoing strategic shift to our region, the Indo-Pacific and Asia Pacific, particularly the shift of economic weight to our region;
- The ADF’s operational drawdown from Afghanistan, East Timor, and Solomon Islands;
- The US re-balance to the Asia-Pacific and Australia’s enhanced practical cooperation with the US;
- Australia’s own force posture review – the first in a quarter of a century;
- The 2009 white paper judged that the global financial crisis was the most fundamental economic challenge facing Australia, and the ongoing adverse effects of this crisis has had “a significant deleterious impact.”

Afghanistan

Over 24 hours on Aug. 29-30, the Australian Army in Afghanistan suffered its worst day when five Australian soldiers were killed in two separate incidents. Three Australian soldiers were killed and two wounded following an “insider attack” by an Afghan Army sergeant at a patrol base in the Baluchi Valley region of Uruzgan. In the second case, two Australian Special Forces commandos were killed when a US helicopter crashed in Helmand. The deaths brought the number of Australian soldiers killed in Afghanistan since February 2002 to 38.

On news of the deaths, Prime Minister Gillard, in the Cook Islands for the Pacific Islands Forum, cancelled her commitments and returned to Australia. She told reporters: “I believe this is the most losses in combat since the days of the Vietnam War and the battle of Long Tan. This is news so truly shocking that it’s going to feel for many Australians like a physical blow.”

The prime minister’s response and abrupt return to Canberra, however, did not signal any change in policy. As with the US alliance, Afghanistan is an area where the Labor Party and the Liberal-National coalition are in agreement. Following the script used on the previous deaths of troops in Afghanistan, the government and opposition repeated that Australia must stick with the US timeline to exit from Afghanistan by 2014. Gillard said: “It is important Australians understand this is a war with a purpose and a war with an end.” Opposition leader Abbott said Australia is not a country that “cuts and runs.”

However, the number of “green on blue” deaths – attacks by members of the Afghan Army on coalition troops training and supporting them – again raised agonizing questions about the nature of the handover and what sort of end to the war is in view. The Australian Greens Party and one independent MP called for an immediate withdrawal from Afghanistan. The independent, Andrew Wilkie, a former military officer and intelligence analyst, said Gillard and former Prime Ministers Kevin Rudd and John Howard have “blood on their hands.” Wilkie said troop deaths were unnecessary because Australia’s leaders had ample opportunities over the years to end the mission: “Being in Afghanistan now is not in Australia’s national interest and was avoidable.” The Labor Party does not have a majority in the House of Representatives, so to stay in power the Gillard government relies on support from Wilkie, two other independents and a Greens MP. Afghanistan is not an issue likely to cause the fall of the minority government because of the common policy adopted by Labor and the opposition.

As the present military mission in Afghanistan heads to a close in 2014, Australia has finally agreed to take command in its main area of action, Uruzgan province. In May, Defense Minister Smith announced that Australia will assume the leadership of Combined Team-Uruzgan in late 2012, taking over from the United States. The Australian commander will have responsibility for several hundred US troops and contingents from Singapore and Slovakia. Until 2010, Uruzgan was under Dutch command. When the Dutch withdrew, Australia refused to accept command, instead providing the deputy to a US commander. In announcing the decision to take the command position, Smith said circumstances in Uruzgan are very different from what they were back in June 2010 and “taking on the leadership now in Uruzgan puts us in a better position to manage the transition process.”

At the NATO-ISAF Summit in Chicago in May, Gillard and President Karazi signed what was called a “Comprehensive Long-Term Partnership” setting out the terms of Australian support beyond 2014. Australia will contribute US\$100 million annually for three years from 2015 to support Afghan National Security Forces beyond the transition process. This doubles the annual amount Australia has been giving to the Afghan Force since 2010.

Asia's trade future

Question: What is the difference between the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP)?

Answers: The TPP includes the US but not China, Japan, India and South Korea. The RCEP includes all those Asian states but not the US. The TPP, after 14 rounds, is straining toward the finish line, the RCEP has just been born; the two are all about trade but also, implicitly, say something of the emerging order in Asia. The TPP is a US recipe while the RCEP is an ASEAN-sponsored noodle dish strongly favored by China. The RCEP is an attempt to untangle the complex Asian noodle bowl of bilateral free trade agreements, but most of the noodles have one end in China.

Australia joined negotiations on the TPP in 2008 and says its highest regional trade negotiation priority is the conclusion of the TPP Agreement. The proposed trade pact will build on the Trans-Pacific Strategic Economic Partnership Agreement (P4) between Brunei, Chile, New Zealand and Singapore, which entered into force in 2006. The TPP includes these four as well as Australia, Malaysia, Peru, the US, and Vietnam. In June, Mexico and Canada joined the negotiations, so that the other members of the North American Free Trade Agreement have joined the US in the TPP negotiations. If achieved, the TPP will express much of what US says it wants in its trade relations with Asia. As well as cutting barriers to trade and investment, it will deal with behind-the-border impediments. If the TPP is to be a building block for Asia-Pacific regional economic integration, it will be a block with US characteristics.

Part of the significance of the TPP negotiations is the countries that are not at the table. China is the great absence. Japan has expressed formal interest in participating but Tokyo, too, will have difficulty embracing some of the US vision that the TPP seeks to realize. Having finally clinched a bilateral free trade agreement with the US, South Korea has shown little appetite for repeating the experience in a regional setting. The TPP process deals with such important absences by proclaiming that future members are welcome to join. But the invitation comes with caveats. As Australia describes the open door, those seeking membership “would need to demonstrate commitment to early and comprehensive liberalisation” so as to maintain the TPP momentum.

The new Asian trade vision is expressed by the RCEP, the comprehensive partnership endorsed by ASEAN leaders at their summit in November 2011. On Sept. 1, six other countries – Australia, China, Japan, India, South Korea, and New Zealand – joined with the ASEAN 10 in Siem Reap in Cambodia to lay the foundations for a RCEP agreement.

In Siem Reap, Australia's Trade Minister Craig Emerson said the “agreement would be the perfect vehicle for advancing Australia's interests in the Asian Century.” The RCEP would cover eight of Australia's top 10 trading partners, involving almost 60 percent of Australia's each-way trade. He said the ASEAN-designed agreement would provide Australian businesses with a “genuinely regional platform for trade and investment decisions.”

As with the TPP, Emerson said Australia would seek to include labor and environment issues in the RCEP negotiations. Without the US driving the agenda, however, it is clear that issues such

as intellectual property rights, plus labor and environment standards will not be as central to RCEP as they are in the TPP. One vision of Asia's trade future has the US at its center. The other is an ASEAN construct that will clearly be driven by China. In trade, as with defense and diplomacy, Australia faces uneasy choices.

Chronology of Australia-East Asia/US Relations **September 2011 – August 2012**

Sept. 15, 2011: US defense secretary and secretary of state meet Australia's foreign minister and defense minister for the annual Australia-US Ministerial (AUSMIN) Talks. The meeting is in San Francisco to mark the 60th anniversary of the signing of the ANZUS treaty.

Oct. 12, 2011: Australian House of Representatives passes law to impose carbon tax from July 2012. The tax is to be paid by the 500 biggest polluters. Opposition pledges to repeal the law.

Oct. 13, 2011: Unable to get a majority in the House of Representatives, Labor abandons its "Malaysia solution" and drops legislation to allow processing of asylum seekers offshore.

Oct. 29, 2011: Three Australian soldiers are killed in action when a member of the Afghan National Army opens fire with an automatic weapon during a weekly parade at a forward base in southern Afghanistan. Seven Australian soldiers are also wounded.

Nov. 1, 2011: Defense ministers of Australia, Britain, Malaysia, New Zealand, and Singapore convene to mark the 40th anniversary of the Five Power Defence Arrangements, designed to protect Singapore and Malaysia.

Nov. 8, 2011: An attack by a rogue Afghan army soldier, firing from a guard tower, wounds three Australian soldiers and two Afghan soldiers.

Nov. 14, 2011: 14th Annual Australia-China Defence Strategic Dialogue is held in Canberra.

Nov. 16, 2011: President Barack Obama arrives in Canberra for a visit.

Nov. 17, 2011: President Obama addresses a joint sitting of the Australian Parliament, then flies to Darwin, becoming the first US president to visit the Northern Territory.

Nov. 28, 2011: China allows the Australian dollar to be directly traded for Yuan, bypassing the need for an intermediate transaction in US dollars.

Dec. 4, 2011: Australian Labor Party national convention votes to allow the sale of Australian uranium to India. Previously, uranium sales were banned because India is not a signatory to the Nuclear Non-Proliferation Treaty.

Dec. 12, 2011: Papua New Guinea Supreme Court causes a political crisis by ruling that the PNG Parliament's election of Peter O'Neill as prime minister in August was unconstitutional. Court orders that the previous PM, Sir Michael Somare, be reinstated. Parliament refuses.

Jan. 13, 2012: In a speech to the Asia Society in New York, Foreign Minister (FM) Kevin Rudd calls for a Pax Pacifica in Asia to replace the Pax Americana.

Jan. 18, 2012: Chief of the ADF Gen. David Hurley attends the NATO session on Afghanistan in Brussels.

Jan. 23, 2012: FM Rudd and Defense Minister (DM) Stephen Smith attend the annual Australia-United Kingdom Ministerial consultations with Foreign Secretary William Hague and Defence Secretary Philip Hammond.

Jan. 26, 2012: In Papua New Guinea, a colonel and 30 troops stage a mutiny in Port Moresby in support of the leadership claims of ousted Prime Minister Sir Michael Somare. Within three days, the colonel is under arrest while the troops are granted amnesty.

Jan 29, 2012: Australia and New Zealand launch a new Defence Relationship Framework.

Feb. 21, 2012: First Vietnam-Australia Strategic Dialogue takes place in Canberra.

Feb. 22, 2012: Kevin Rudd announces he is resigning as foreign minister because he no longer has the confidence of the prime minister, setting the scene for a Labor leadership challenge.

Feb. 27, 2012: Prime Minister (PM) Julia Gillard wins a Labor caucus leadership vote, defeating Kevin Rudd 71 votes to 31.

March 13, 2012: Former Premier of New South Wales Bob Carr is sworn in as a senator and as Australia's new foreign minister.

March 15, 2012: The foreign and defense ministers of Australia and Indonesia meet for their inaugural "2+2" dialogue in Canberra.

April 3, 2012: First rotation of 200 United States Marines arrives in Darwin.

April 10, 2012: DM Smith visits Afghanistan.

April 17, 2012: In a speech on Afghanistan, PM Gillard identifies mid-2013 as a milestone, when international forces will move to a supporting role across all of Afghanistan and the drawdown of Australian forces will be underway.

April 19, 2012: FM Carr and DM Smith participate in ISAF Ministerial discussions in Brussels.

April 30, 2012: FM Carr goes to Fiji as a member of the Pacific Islands Forum Ministerial Contact Group for talks on the restoration of democracy and the rule of law in Fiji.

May 3, 2012: Final report of the Defence Force Posture Review is released. A new Defence White Paper is to be delivered in the first half of 2013, instead of 2014. Government announces it will provide A\$214 million for further detailed studies and analysis to shape the decision on the design of Australia's next submarine.

May 4, 2012: Australia and the US sign joint statements to increase intelligence sharing to combat transnational crime, including terrorism, and to make travel between Australia and the United States easier.

May 17, 2012: An Australia-Japan Information Security Agreement is signed.

May 20, 2012: At the NATO-ISAF Summit in Chicago, PM Gillard and Afghanistan's President Karzai sign a partnership agreement on Australian support beyond the troop withdrawal in 2014.

May 22, 2012: Australia and Malaysia sign a free trade agreement.

May 31, 2012: Australia will assume the leadership of Combined Team-Uruzgan in Afghanistan in late 2012, taking over from the US commander.

June 5, 2012: DM Smith visits China for the inaugural Australia-China Defense Ministers' Dialogue.

June 7, 2012: Australia lifts its travel and financial sanctions on Burma, to encourage further democratic reform. As Burma's second largest bilateral aid donor, Australian aid to Myanmar will more than double to A\$100 million a year by 2015. FM Carr makes the announcements after talks with Burma's Government and Aung San Suu Kyi.

July 2, 2012: Indonesian President Susilo Bambang Yudhoyono arrives in Darwin for talks with PM Gillard.

Jul. 2, 2012: In Afghanistan, SAS Sergeant Blaine Flower Diddams is killed during an engagement with insurgents.

July 2, 2012: Australia says it will take a leading role in negotiating a global Arms Trade Treaty – imposing new controls on illicit cross-border dealings in weapons including automatic rifles, hand guns, rocket-propelled grenades, and ammunition.

July 10, 2012: The new four-year Defence Capability Plan is released, with a total cost estimate of A\$153 billion.

July 19, 2012: Director General of the Australian Secret Intelligence Service Nick Warner gives a speech on the 60-year history and current roles of the overseas spy service, the first ever public presentation by Australia's spy master.

July 26, 2012: DM Smith completes a visit to Honolulu for talks with senior United States military officials at United States Pacific Command and to observe Australia's participation in *Rim of the Pacific (RIMPAC) 2012* Exercise.

July 30, 2012: Foreign ministers of Australia, New Zealand, and Fiji meet in Sydney and agree to upgrade diplomatic relations by the exchange of ambassadors. Australia and New Zealand are to ease travel restrictions on civilians working for Fiji's military regime.

Aug. 13, 2012: An inquiry headed by the previous chief of the ADF, Angus Houston, recommends the Labor government restore the "Pacific solution" to stem the wave of asylum seekers arriving in Australian waters by boat. The report calls for the re-opening of offshore processing centers in Nauru and Papua New Guinea and for further work on a people-swap deal with Malaysia. PM Gillard accepts all 22 recommendations and introduces legislation in Parliament the next day.

Aug. 22, 2012: Australia announces implementation of sanctions on Iran, including trade in oil, petroleum, gas, financial services and precious metals, following the failure of the Iranian Government to engage constructively with the international community on its nuclear program.

Aug. 23, 2012: Australia is to spend A\$1.5 billion to acquire the *Growler* electronic warfare system for its 24 *Super Hornet* aircraft, making Australia the only country other than the United States to operating *Growler*, which jams aircraft and land-based radars and communications.

Aug. 28, 2012: DM Smith visits Vietnam to discuss Australia's growing defense relationship with Vietnam, together with regional security issues.

Aug. 28, 2012: Pacific Islands Forum is held in the Cook Islands.

Aug. 29, 2012: Three Australian soldiers are killed and two others wounded following an insider attack by an Afghan Army sergeant in the Baluchi Valley region of Uruzgan.

Aug. 30, 2012: Lance Corporal Mervyn McDonald and Private Nathanael Galagher from the Special Operations Task Group die when a US helicopter crashes in Helmand Province.