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## **AUSTRALIA AS A PARTNER OF EAST ASIA COUNTRIES – POLITICAL AND ECONOMIC ASPECTS**

### **1. Introduction**

Australia, a continent “hidden” from Europe for the longest period of time, for many people still remains a synonym of rowdy adventure and a journey into the unknown. Unfortunately, in Poland *Terra Incognita* is actually a land of the unknown. Information about the people and the country seldom reach Poland and even Summer Olympics in Sydney in 2004, both a sports and a promotional event, did not manage to change this fact. It is worth to know more about Australia. After all, it is a huge country of great economic potential. It is a country that can become a bridge between the Old World and the most dynamically developing region of the globalization era – Southeast Asia. Political and trade relations between the Commonwealth of Australia and countries from the region prove both the increase of this area’s significance and the active role of Australia as an international player. Australia, linked by strong alliances with the USA and Great Britain, is growing to become a fully-fledged partner in the Asia-Pacific region.

The aim of this article is to show how strong political and economic relations of Australia and Asian countries, with a particular focus on Southeast Asia, really are. The analysis is mainly quantitative and has been conducted on the basis of available statistical data.

### **2. Political relations**

Australia is nowadays a significant player on the international arena, especially in the Asia-Pacific region. Its position is a derivative of close cooperation with the

United States, membership in The Commonwealth of Nations<sup>1</sup> and economic and political engagement in the region.

It is the cooperation with the United States of America that plays the most important role in Australia's foreign policy. It is determined by ANZUS (The Australia, New Zealand,<sup>2</sup> United States Security Treaty) which was signed in 1951 (implemented in 1952).<sup>3</sup> In the recent years the Australians supported American military campaigns on multiple occasions. Since the attacks on World Trade Center, Australia has taken active part in an international war against terrorism. The Australian Commonwealth signed twelve bilateral memoranda regarding this issue, a.o. with Malaysia, Thailand, India, Indonesia, Pakistan and Afghanistan. For the years 2006-2010 90 million Australian dollars have been reserved to counteract acts of terror. In the years 2003-2008 Australian army stayed in Iraq. The Australians are also active in Afghanistan. In early 2008, 970 soldiers and "other personnel" supporting the NATO<sup>4</sup> mission were staying there<sup>5</sup>.

Great Britain has always been a close partner of Australia. Both countries are bound by formal links – British queen as a head of the state, as well as trade exchange and political cooperation. During the decades Great Britain has been a largest supply market for Australian goods. The word "motherland" used in relation to a former metropole clearly defined the level of mutual political relations. This situation continued after World War II, although after Japanese bombing of Darwin,<sup>6</sup> it became clear that Australians cannot fully rely on London's direct support.

Japan is another key partner of the Commonwealth of Australia on the international arena. In 2007, prime ministers J. Howard and S. Abe signed Joint Declaration on Security Cooperation. Thus, Australia next to the USA became a second important strategic partner of Japan. Both sides agreed on organizing regular meetings of the ministries of defence, joint military movements and trainings. Both countries also maintain active trade relationships. These are based on the Com-

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<sup>1</sup> The Commonwealth of Nations was established in 1931. Today, as an organization, it consists of 53 countries.

<sup>2</sup> In 1987 New Zealand withdrew from the Treaty. It was the refusal to admit US battleships carrying nuclear weapons to New Zealand's ports that directly influenced the decision.

<sup>3</sup> E. Haliżak, *Stosunki międzynarodowe w regionie Azji i Pacyfiku*, Scholar, Warszawa 1999; W. Maik (ed.), *ABC: Świat, Australia, Oceania, Antarktyda*, Wydawnictwo Kurpisz, Poznań 2003.

<sup>4</sup> ISAF – International Security Assistance Force organized by NATO, operating with UN mandate.

<sup>5</sup> Australians End Combat Role in Iraq, [www.cbsnews.com](http://www.cbsnews.com), 2008.

<sup>6</sup> The bombing of Darwin is called Australian Pearl Harbor. It took place on 19<sup>th</sup> February 1942. The city was attacked because of its strategic importance (port and air base). As a result of the raid, nearly 250 civilians died and approximately 200 people were injured. In the coming months, the Japanese struck dozens of times at Australian targets.

merce Agreement signed in 1957. Since 2007 both countries have been working on Australia-Japan Free Trade Agreement.

The Australians set much score to their political and trade activities in other parts of Asia-Pacific region. The best proof for that is their engagement in the cooperation with ASEAN<sup>7</sup> countries (Association of South East Asian Nations) – ASEAN+1 formula (established in 1974). The cooperation is focused on security (for example ASEAN Regional Forum for Confidence Building and Preventive Diplomacy<sup>8</sup>) and economic issues. Australia's biggest economic partner within ASEAN is Singapore. The Commonwealth of Australia has free trade agreements with both Singapore and Thailand<sup>9</sup>. Currently there have been plans to extend this kind of cooperation to Malaysia. China and India are also becoming more and more important partners of Australia. Trade cooperation with the latter is based on a special treaty – Trade and Economic Framework.

Since 1983 Australia has been bound by an agreement on a close economic cooperation with New Zealand<sup>10</sup> (The Australia-New Zealand Closer Economic Relations Trade Agreement – ANZCERTA or CER). In practice, a very vibrant free trade zone has been established.<sup>11</sup> In 2005 mutual revenue totalled almost 20 billion AUD. Since 2005 Australia is also bound by a free trade agreement with the United States of America (The Australia-United States Free Trade Agreement – AUSFTA). Political cooperation of Australia and New Zealand has a deep-rooted tradition. Creation of joint military units ANZAC, which fought in Europe and Middle East during World War I, can be one of the examples.

Australia has been an active member of OECD (Organization for Economic Co-operation and Development) since 1971, International Monetary Fund since 1947, APEC (Asia-Pacific Economic Cooperation) since 1989 and many other local organizations of Pacific region countries.

Strategic goals, in political and military categories, were determined in 2000 by Australian government in a so-called White Paper, which was later updated in

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<sup>7</sup> Its members include Brunei, the Philippines, Indonesia, Cambodia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam.

<sup>8</sup> ARF is actually a kind of cooperation and an ongoing process. The entities involved include Australia, Brunei, China, the Philippines, India, Indonesia, Japan, Cambodia, Canada, Democratic People's Republic of Korea, Laos, Malaysia, Mongolia, Myanmar, New Zealand, Pakistan, Papua New Guinea, Republic of Korea, Russia, Singapore, USA, Thailand, East Timor, European Union, Vietnam, Bangladesh.

<sup>9</sup> The agreement with Thailand was established in January 2005 (The Thailand-Australia Free Trade Agreement – TAFTA). The agreement with Singapore was established in July 2003 (The Singapore-Australia Free Trade Agreement – SAFTA).

<sup>10</sup> From 1966 to 1982 New Zealand-Australia Free Trade Agreement (NAFTA) was in effect.

<sup>11</sup> It has been described in detail in a work by K. Żołądkiewicz, *Integracja ekonomiczna Australii i Nowej Zelandii jako przykład współczesnych procesów integracyjnych*, Wydawnictwo Uniwersytetu Gdańskiego, Gdańsk 2007.

2007. The government indicated global threats resulting from distribution of weapons of mass destruction and world terrorism. The crucial area here is the Middle East but the political ambitions and leading role of Australia in the region constitute Australia's engagement in such locations as East Timor and Solomon Islands. The Australians realize the need for international cooperation. The government supports the opinion that a close cooperation should be maintained not only with the USA, but also with Japan, Indonesia and India.<sup>12</sup> The military operations conducted by the Army outside Australian continent remain in line with the outlined policies (Table 1).

Table 1. Main military operations of Australian Defence Force, 2006-2007

Operation	Region/starting date	Number of participating soldiers (2008)	Goal
Paladin	Middle East/July 1956	12	Participation in a truce mission of UN (Truce Supervision Organisation – UNTSO)
Mazurka	Sinai Peninsula, Egypt/September 1982	25	Participation in a mission of Multinational Force and Observers (MFO)
Slipper	Global – war against terror/October 2001	1 080	Supporting International Security Assistance Force (ISAF) in Afganistan
Anode	Solomon Islands/July 2003	140	Aid for the government of Solomon Islands – helping to implement law and order, support for the government
Catalyst	Iraq/July 2003	1 550	Rebuilding the country
Azure	Sudan/May 2005	15	Participation in UN peacekeeping mission in Sudan (United Nations Mission in Sudan – UNMIS)
Astute	Timor-Leste (East Timor)/May 2006	750	Peacekeeping aid requested by Timor's government
Ramp	Lebanon/July-August 2006a	120	Evacuation of Australian citizens from Lebanon
Resolute	Protection of coasts and naval zones/July 2006	450	Protecting the borders, protection against illegal immigrants, protecting naval economic zone (Exclusive Economic Zone), petroleum and gas deposits
Tower	Timor-Leste (East Timor)/November 2006	4	Participation in UN stabilization mission
Quickstep	Fiji/November-December 2006 <sup>a</sup>	800	Ensuring the safety of Australian citizens
Quickstep	Tonga/November 2006 <sup>a</sup>	50	Support of stabilization process, evacuation of Australian citizens
Solomon Assist	Solomon Islands/April 2007	25	Humanitarian aid

<sup>a</sup> – mission accomplished.

Source: own analysis based on *Defence Annual Report 2006-07*, 2007, Department of Defence, [www.defence.gov.au](http://www.defence.gov.au).

<sup>12</sup> *Defence Annual Report 2006-07*, Department of Defence, [www.defence.gov.au](http://www.defence.gov.au), 2007.

### 3. Economic relations

Volume, commodity structure and directions of Australian international revenues are shaped by many factors – country's resources, its membership in Commonwealth of Nations, geopolitical location, membership in international organizations, etc. It was already clear in 1901 that animal products (35.1% of total export value, agricultural products in total – 82.9%) and unprocessed metals (18.7%) would be the most important export goods of Australia. The value of exports totalled over £ 47.7 million at the time. At the same time, the so-called re-export was estimated at £2 million. In 1901 Australia had a positive balance in international trade as import reached the value of £ 42.4 million.

The following decades brought relatively small changes. Great Britain had been Australia's main trade partner until the fifties. Its position became unstable during World War II. It was during this period, when the USA took over. Just before the war, during the budget year of 1938-1939, nearly 55% of all sold goods (except gold) were shipped to Great Britain. The volume of exports to the Commonwealth countries reached almost 70%. Similar values and directions defined Australia's import – Commonwealth (total) 60% and USA 15%.

It is worth to underline the interest that Australians took in trade with Asian countries. For decades Japan, India, Ceylon and Dutch East Indies<sup>13</sup> have been Australia's important trade partners for decades. The commodity structure of revenue during this period was similar to the one reported in the past and was typical for a country with natural resources but with a weak processing infrastructure. Australia sold mainly wool, meat, produce, metals and metal products. Among the goods purchased abroad, there were metals, metal products, machinery, clothing, oils, fats, and wax.<sup>14</sup>

The commodity structure of exports in the first half of the 20<sup>th</sup> century was dominated by agricultural goods and gold. In 1946 they became almost 60% of the entire sale value of which a half derived from wool export. During the budget year of 1956-1957 the value of revenue reached over £ 1700 million, with a positive balance of £ 27.2 million. Almost half of goods sold abroad went to the countries of British Commonwealth (28.3% to Great Britain). Japan was starting to become an important partner (14.1% of export). Goods were imported from Great Britain (41.3%) and USA (13.3%). The commodity structure of revenue at the end of fifties did not change in comparison with the previous period. It was not until the end of sixties when the share of ores (other than gold) began to increase in the export structure. However, the agricultural goods still dominated the market. During the

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<sup>13</sup> Nowadays – Indonesia.

<sup>14</sup> E.R. Walker, *The Australian Economy in War and Reconstruction*, Oxford University Press, New York 1947.

next decade the balance of revenue was positive. During the budget year of 1980-1981 the surplus of export over import reached over AUD 2.6 billion. The value of exported ores (including processed goods) reached almost AUD 2 billion. The biggest value of import derived from means of transportation and fuels. USA (negative balance), Japan (positive balance), ASEAN countries (negative balance) and Great Britain (negative balance) became Australia's main directions of revenue during this period of time.<sup>15</sup> At the end of eighties, during the next decades the differences in volumes of import and export measured in dollars were relatively low with a tendency to increase the deficit. A positive balance started to dominate in the fuel and food sectors.

An event which influenced the increase in Australia's role in the Asia-Pacific region was its accession to APEC. The organization, which was established in 1989, nowadays consists of such countries as Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Chinese Taipei, Thailand, USA, and Vietnam. It is therefore a huge market (40% of world's population) which because of its geographical range cannot be considered as regional. Trade contacts between Australia and APEC countries measured in value of export and import are still increasing (Table 2) and significantly exceed the revenue with ASEAN countries. In this case, however, the balance was positive over the last few years.

Table 2. Trade revenue with APEC countries (in millions AUD).

Years	Import	Export	Balance
1997–1998	62 542	64 213	1 671
2002–2003	92 245	83 022	–9 223
2007–2008	143 827	131 015	–12 812

Source: author's own work based on *Year Book 2008*, No 1301.0/90, ABS, Canberra 2008; *International Trade in Goods and Services*, No. 5368.0, ABS, Canberra 2008; *Year Book 2008*.

In the years 2007-2008 (12-month period ending in June) goods worth almost AUD 179.5 billion were exported from Australia. The largest share belonged to ferrous metal ores, coal, petroleum, petroleum derivatives, gold and non-ferrous metal products. Wool and other animal bristle made only 1.4% of overall export value.

Import looks slightly different. Its value in 2007-2008 reached AUD 201.6 billion. Australia imports first of all industrial products, including mainly highly processed goods. Among the main purchases during the described period were: personal automobiles, raw petroleum and processed petroleum. The value of import of

<sup>15</sup> *Year Book 1962*, No 1301.0/90, ABS, Canberra 1962; *Year Book 1970*, No 1301.0/90, ABS, Canberra 1970; *Year Book 2008*, No 1301.0/90, ABS, Canberra 2008.

machinery and means of transportation exceeded AUD 83 billion. The value of imported mineral fuels, lubricants and similar substances exceeded AUD 30 billion.

Nowadays USA, China, Japan and New Zealand are Australia's main trade partners. Over the last two decades a gradual decrease in USA's share in import and export has been observed. At the same time China's importance has been increasing (Table 3, Fig. 1).

Table 3. Changes in geographical structure of Australia's foreign trade (percentage)

Export			
Country	Years 1983-1984	Country	Years 2007-2008
Japan	26.0	Japan	19.3
USA	12.0	China	14.9
New Zealand	5.2	South Korea	7.9
South Korea	3.6	USA	6.7
China	3.4	New Zealand	6.5
Great Britain	3.3	India	5.0
Singapore	3.1	Taiwan	4.0
Soviet Union	2.9	Great Britain	3.6
Taiwan	2.8	Thailand	3.0
Others	38.0	Others	31.3
Import			
Country	Years 1983-1984	Country	Years 2007-2008
USA	23.0	China	15.3
Japan	22.0	USA	12.0
Great Britain	6.7	Japan	9.7
Germany	6.2	Germany	5.2
New Zealand	3.7	Singapore	6.7
Taiwan	3.5	Thailand	4.4
Italy	2.9	Great Britain	4.2
Singapore	2.6	Malaysia	4.0
Hong Kong	2.2	New Zealand	3.5
Others	27.0	Others	35.0

Source: author's own work based on K. Żołądkiewicz, *op. cit.*; *Year Book 2008; International Trade...*

The diversity of import and export volume in different states of Australia derives from its commodity structure. The largest share in export comes from ores and the largest share belongs to Western Australia (38%). Imported and highly processed goods destined for direct consumption reach the largest outlet – New South Wales (37%) and Victoria (27.7%).

The description of Australian economy is completed by the description of foreign investments. From the beginning of the nineties their value is still increasing. Between 2001 and 2006 it increased by over 66%. In 2006 their value reached almost AUD 1440 billion. A quarter of this value consists of US capital. The British

are the second largest investor (24.5%). Japan is the third largest investor (only 3.5%). During the budget year 2007-2008 the value of foreign investments in Australia exceeded 1670 billion.

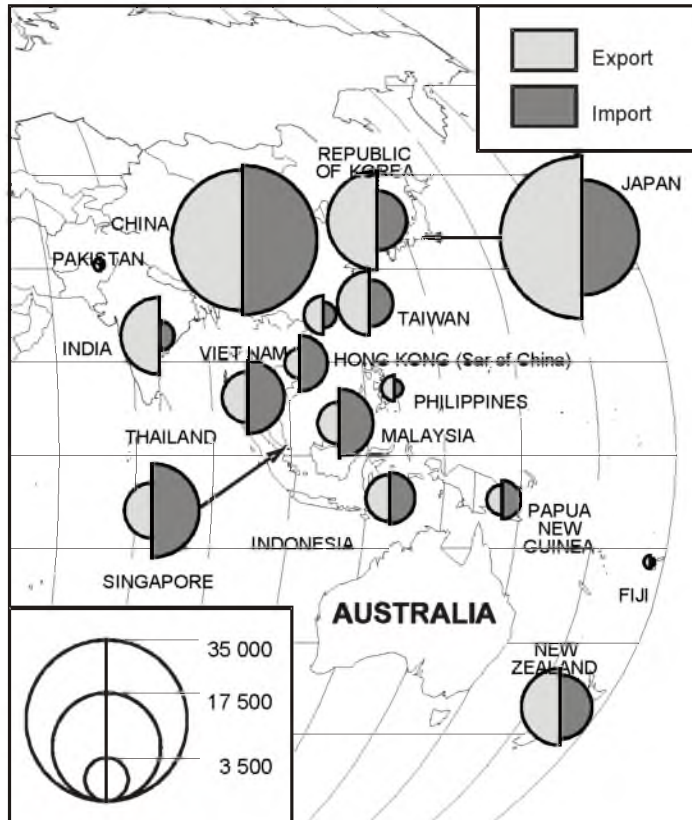


Fig. 1. Australian international trade in billions AUD, 2007-2008

Source: *International Trade...* (drawn by A. Wosiak).

The structure of foreign direct investments (FDI) is similar. The overall value of AUD 315 billion<sup>16</sup> consists of 23.3% of American share, 17.1% of British share and 7.5% of Japanese share. The investors were mostly interested in mining industry (24.4%), processing industry (19%), wholesale (16.6%).<sup>17</sup> The Chinese are also becoming an important player on the Australian market.

<sup>16</sup> In 2006 the value of FDI in Poland was € 15.1 billion, which is approximately AUD 24.6 billion (Polish Information and Foreign Investment Agency, [www.paiz.gov.pl](http://www.paiz.gov.pl)).

<sup>17</sup> *International Trade...*



In 2006, Chinese corporation Chalco won a USD 2.2 billion dollar bid for building a bauxite mine in Queensland.<sup>18</sup> United Nations Conference on Trade and Development (UNCTAD) placed Australia among the countries of large FDI absorption potential, and according to OECD (2007) it was a fifth largest net recipient of investments among the countries belonging to the organization.<sup>19</sup>

It seems that the activity of Australian funds abroad is significantly lower. In mid-2007 the value of investments made abroad totalled 921 billion AUD. The main investment regions of Australia include New Zealand, Japan and Canada. There has been a decline in the flow of Australian capital into Great Britain, USA, Singapore, Cayman Islands and Hong Kong.

Without a shadow of a doubt, Australia belongs to modern, highly developed countries incorporated in a global economic system. It is a place where large international corporations run their business, just to mention such known companies as IBM, Coca-Cola, Amatil, ING, Nestle, Citibank, Vodafone, Nokia, Singtel, Pfizer, Sony and Norske Skog. It is also an important capital market in the region. Such banks as Citigroup, UBS, Australia, Mizuho Corporate Bank, HSBC Bank Australia and Deutsche Bank operate there. The total revenue on the Australian market in 2006-2007 was estimated at AUD 120 trillion.<sup>20</sup> In international economic circulation Australia plays also a role of an investor. A perfect example of Australian foreign economy is a mining-metallurgy-chemical corporation BHP Billiton.

#### 4. Conclusions

The aim of the article was to show that Asian countries are Australia's important political and economic partners and the country itself can be a link between Asia-Pacific region and North American and European countries. Quoted data prove the accuracy of this assumption. Australia is bound by strong political and economic relations with its former metropole, Great Britain, and with the USA. At the same time, Australia maintains an active policy of cooperation with ASEAN countries. It is present in the region as a participant of military missions and UN operations. It revitalizes cooperation in terms of safety issues.

Australia's engagement in economic cooperation is also crucial. Traditional partners are being replaced by Asian countries, especially Japan and China. Australia is aiming at regulating the trade exchange by signing free trade agreements. It seems that the country is very flexible in adjusting to global changes.

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<sup>18</sup> World Investment Report 2006: FDI from Developing and Transition Economies: Implications for Development, United Nations, New York–Geneva 2006; W. Ying, Chalco Leads Rivals for Australia Project, "Chinadaily" 2006, [www.chinadaily.com.cn](http://www.chinadaily.com.cn).

<sup>19</sup> Department of Foreign Affairs and Trade, [www.dfat.gov.au](http://www.dfat.gov.au).

<sup>20</sup> Department of State and Regional Development, [www.business.nsw.gov.au](http://www.business.nsw.gov.au).

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## AUSTRALIA JAKO PARTNER PAŃSTW AZJI WSCHODNIEJ – ASPEKTY POLITYCZNE I GOSPODARCZE

### Streszczenie

Australia to współcześnie znaczący gracz na arenie międzynarodowej, szczególnie w rejonie Azji i Pacyfiku. Pozycja państwa jest pochodną ścisłej współpracy ze Stanami Zjednoczonymi, członkostwa we Wspólnocie Narodów (The Commonwealth of Nations) oraz zaangażowania politycznego i gospodarczego w regionie. Celem artykułu jest wykazanie, jak silne są związki gospodarcze i polityczne Australii i państw azjatyckich, ze szczególnym uwzględnieniem Azji Południowo-Wschodniej. Analiza ma charakter głównie ilościowy i przeprowadzona została na podstawie dostępnych danych statystycznych.