

# Report on historical context of australia - usa relations

[Economics](#), [Trade](#)



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As the influence of Britain declined after World War II, Australia reinforced its relations with USA. The task of forming a relationship began in 1942 and was concluded in 1951 with the formal formation of the ANZUS (Australia-New Zealand-US) treaty. The pact was a security treaty, which united the three countries against potential aggressors who thought that they stood alone in the South Pacific region (Capling, 2005). Economic treaty of Australia and US was first planned in 1946. However, in the beginning of 1980, the Hawk administration began negotiations with USA on a trade treaty. The same was also advocated by Bush administration in the 90's which was refused by then Australian Prime Minister Paul Keating. Finally, the Free Trade Agreement was accepted between the two countries on February 2004 after the efforts of US president George W. Bush and Australian Prime Minister John Howard since 2001. The agreement had resulted in US being Australia's most important market for services and fifth largest export market (Capling, 2005). Furthermore, USA is the largest investor in Australia with Australia being the ninth largest FDI (Foreign Direct Investment) of USA (Capling, 2005).

## **Australia's Economic Relationship with China**

The rapport between the two countries began in 1972 and is referred to as the Sino-Australian relations. With the demand for Iron ore, Coal, and liquid natural gas increasing among the Chinese, the economic relations with Australia also increased. The situation has made China become Australia's biggest trade partner. Consequently, the exports to China have helped Australia in fighting the damaging effects of the depression since 2008. The facts on the benefits of the relation can be found in the respective country's trade data. For instance, in the trade data of China, since 2001, their total trade volume had increased six times, while Sino-Australian trade volume increased 10 times (Scissors & Lohman, 2011). Accordingly, in the Australian data, approximately 20% of the country's trade was with China making it the largest trade partner (Scissors & Lohman, 2011). The trade and investment between the two countries has helped Australia benefit in the rapid growth of China over the last years.

## **Tension between United States and China**

The emergence of China as a power economic player in the last decade has brought with it tension with USA a fellow power economy. The sources of the tension can be mainly categorized into four areas: currency and debt, internet, military and diplomatic influence, and trade (Chen & Dean, 2010). In the case of currency, tension results in the value of the Yuan being very low. US complain that the situation is artificially induced. The consequence is that importers are unfairly helped and investigation of subsidies difficult. In the area of internet, tension occurs when China blocks, censors, and limits

operation of many foreign websites such as YouTube, Facebook, and twitter. Tension in military and diplomatic is seen when China does not want to grant independence to Tibetan provinces including Taiwan. This is because they contribute to 30% of revenues (Chen & Dean, 2010). Tension on trade occurs when US firms in China complain of unclear regulations, intellectual theft, and unfair advantage of local firms.

## **Recommendation of Australia-US ties**

Personally, I would recommend Australia never to sever ties with US despite the fact that now China is their largest trade partner. The relationship between China and Australia has with it some economic risks. The rapid export gains by Australia might not last because there is competition on supply of raw materials by countries such as Russia and even China itself. Furthermore, the rapid rise of China is similar to that of Japan in the eighties which ended up in an extended stall in 1991 (Scissors & Lohman, 2011). It should also be noted that Japan is Australia's second largest trade partner (Scissors & Lohman, 2011).

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