

US Studies Centre touts significance of US-Australian investment ties

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The US Studies Centre (USSC), a prominent think-tank at the University of Sydney, launched a major research project in April to highlight the economic ties and investment flows between the US and Australia. The project, to involve reports, “case studies” and public events, is being jointly sponsored by the USSC and the American Chamber of Commerce in Australia (AmCham).

Rather than a scholarly examination of indices and economic trends, the project is a profoundly political exercise. Its purpose is to send a clear message to the Australian political and business establishment that, despite its important trade ties with China, there can be no equivocation on the US military alliance as Washington accelerates its war plans against Beijing.

The project was launched in the context of ever-greater US demands that Australia play a frontline role in Washington’s preparations for military conflict with North Korea, and above all, China.

Australia has already been integrated into the massive US military build-up in the Asia-Pacific, formally announced by US President Barack Obama from the floor of the Australian parliament in 2011. The Labor government of Julia Gillard agreed to a new US Marine presence and expanded access to other bases in northern Australia as well as greater military “interoperability”—policies deepened by subsequent governments.

The Australian ruling class, however, confronts a fundamental dilemma between its strategic dependence on the US and its economic ties with China, now Australia’s largest trading partner. The tensions in ruling circles have been sharpened by worsening geo-political tensions in Asia and globally, compounded by the uncertainties produced by Trump’s election as US president, his erratic and reckless foreign policies, and his “America first” demagoguery.

Concerned that Australia could waver, a procession of high-level American “deep state” representatives have visited Australia in recent months to insist, in very public forums, on the “unbreakable” character of the US alliance.

In April, John McCain, chairman of the US Senate Armed

Services Committee, delivered an extraordinary address at an event hosted by the USSC. He broke with a decades-long political taboo of not criticising the US president while abroad, telling Australian dignitaries and foreign policy experts he shared their concerns about the Trump administration.

Alluding to efforts by sections of the US intelligence and military establishment to oust Trump, McCain commented that while presidents come and go, relations between the US and Australia were “eternal.” In a menacing threat to those in Australia advocating a more independent foreign policy, he warned: “No-one has ever got rich betting against America, my friends, and now is not a good time to start.”

In similar remarks at the National Press Club in June, James Clapper, former US Director of National Intelligence, delivered a broadside against the US president, while stressing the importance of the US alliance. Both McCain and Clapper made a point of noting the close economic ties between the two countries, particularly Australia’s heavy dependence on Wall Street and US investment.

These comments carry an unmistakable threat that any turn away from the US alliance would have serious repercussions—economic as well as political. Two Australian prime ministers—Gough Whitlam in 1975 and Kevin Rudd in 2010—were ousted in political coups that were backed by the US. At the same time, the recent high-level visits underscored the extent to which Washington is mobilising the substantial pro-US networks within the Australian political establishment.

McCain’s choice of the USSC to deliver his speech was no accident. The centre was established in 2007 with the express purpose of combating popular hostility to Australian participation in US-led wars, and propagandising in favour of the US alliance. It has been funded by US and Australian authorities, and subsidised by corporations in both countries.

The new project on US-Australian economic ties is designed to underpin the threat made in McCain’s speech that Australia has no choice but to unconditionally maintain the US alliance.

Australian Foreign Minister Julie Bishop first made the point in 2014 that the US, as Australia's largest investment partner, was just as important economically as strategically. The comments were directed at those warning that Australian involvement in the US military build-up against Beijing would jeopardise trade relations with China.

Initial research published by the USSC project echoed this theme, bearing the headline: "By the numbers: How the US is Australia's indispensable economic partner."

Published in the *Australian Financial Review* in April, the report declared: "Cumulatively, two-way investment between the US and Australia totals \$1.45 trillion, dwarfing Australia's other bilateral economic relationships." It compared this with Chinese investment, stating: "The \$80 billion that Australia received in new US investment in 2015 is larger than the total value of China's cumulative investments in Australia."

The report noted that the US accounted for a quarter of inbound foreign direct investment. However, it placed particular emphasis on the heavy reliance of the Australian economy on US finance. Many of Australia's largest businesses, in manufacturing, mining and agriculture, are ultimately owned by US financial entities.

The major Australian banks depend no less on US capital. The report commented: "Australian banks have a foreign funding ratio of 24 percent, with 11.8 percent of capital being foreign short term and 'rolled over' on a regular basis." It said the vast bulk of this capital is from the US. Over recent months, fears of a new financial crisis have centred on warnings that Australia's banking sector is heavily exposed to bad debt in the property sector, threatening a liquidity crisis.

The report also drew attention to the \$1.5 billion spent by US corporations on research and development in 2014, comparing the figure to the \$9.5 billion outlay by the federal government over the same period.

The stress placed on Australia's reliance on Wall Street and US corporations was a thinly-veiled warning that any move away from the alliance could have financial repercussions.

The report concluded by making plain the purpose of the USSC project. "No shortage of commentary insists that Australia faces a choice between a long-time ally in the US and an economic behemoth in China," it stated, labelling this view "naïve at best, intellectually lazy at worst," and "a false dilemma."

The report declared: "Amid increasing tensions in the Asia region, the security alliance should not be undervalued. But Trump and Turnbull would do well to point to Australia's economic relationship with the United States, a dynamic and vital cornerstone of our national prosperity—its relevance

resting not on any appeal to values, but on a clear-eyed appreciation of our material interests."

In other words, the cornerstone of the alliance is not the deceitful phrases often used about "democracy" and "shared values," but the material interests and profits of the financial elite.

The media and political establishment welcomed the USSC project. There have been no allegations of "US interference" in Australian politics, even though the funding provided by the US Chamber of Commerce is a transparent attempt to influence politicians, corporations and public opinion. Similar interventions by the US corporate elite, and its extensive networks of supporters in the media, think-tanks, universities, political parties, trade unions and state apparatus in Australia, likewise pass without comment.

This stands in marked contrast to the hysterical campaign being waged in the media against supposed "Chinese interference" in Australian public and political life. The Australian Broadcasting Corporation, Fairfax, and other outlets have run scurrilous reports claiming that the Chinese government and business figures are influencing both major political parties, the press and the universities.

This anti-Chinese campaign, like the USSC's efforts, is aimed at placing the country on a war footing, in preparation for conflict with China. The USSC and other think-tanks have pointed with increasing alarm to widespread hostility among working people to Australian involvement in any Asia-Pacific conflict.

A USSC survey last month found that 61 percent of Australian respondents thought US influence in the region over the next five years would be "negative." Some 72 percent said China had the most influence in the region. The report also stated: "Australians are indifferent with respect to the value of American versus Chinese influence on Australia."

It is to overcome these anti-war sentiments that the Australian media and political establishment is denouncing "Chinese influence" and vilifying China, while the USSC is promoting the merits of Australian and US economic ties, along with the military alliance that has led already to Australian involvement in a succession of illegal US-led wars.



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