

## COUNTRY PROFILE: AUSTRALIA

September 2005

### COUNTRY

**Formal Name:** Commonwealth of Australia.

**Short Form:** Australia.

**Term for Citizen(s):** Australian(s).

**Capital:** Canberra.

**Major Cities:** In order of size, the largest cities in Australia are Sydney (4.2 million), Melbourne (3.6 million), Brisbane (1.7 million), Perth (1.4 million), and Canberra (323,000).

**Independence:** The British colonies of Australia were federated and the Commonwealth of Australia established on January 1, 1901.

**Public Holidays:** New Year's Day (January 1); Australia Day (January 26); Good Friday, Easter Saturday, Easter Sunday, and Easter Monday (variable dates in March or April); ANZAC (Australian and New Zealand Army Corps) Day (April 25); Queen's Birthday (June 13); Christmas Day (December 25); and Boxing Day (December 26).

**Flag:** The Australian flag is a blue rectangle with the flag of the United Kingdom located on the upper hoist-side quadrant and the Commonwealth Star on the lower hoist-side quadrant. The remaining half of the flag is a representation of the Southern Cross constellation, with one small five-pointed star and four larger, seven-pointed stars.



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### HISTORICAL BACKGROUND

**Australian Prehistory:** Humans are thought to have arrived in Australia about 30,000 years ago. The original inhabitants, who have descendants to this day, are known as aborigines. In the eighteenth century, the aboriginal population was about 300,000. The aborigines, who have been described alternately as nomadic hunter-gatherers and fire-stick farmers (known for using fire to clear the brush and attract grass-eating animals instead of cultivating the land), settled primarily in the well-watered coastal areas. Some observers believe that poor treatment of the environment by aborigines over many centuries may have led to the barren nature of much of the Australian interior. Higher forms of mammals never reached Australia because the land bridge from Asia ceased to exist about 50 million years ago.

**European Discovery and Settlement to 1850:** The period of European discovery and settlement began on August 23, 1770, when Captain James Cook of the British Royal Navy took possession of the eastern coast of Australia in the name of George III. His party had spent four months in exploration along eastern Australia, from south to north. Unlike Dutch explorers, who deemed the land of doubtful value and preferred to focus on the rich Indies to the north, Cook and Joseph Banks of the Royal Society, who accompanied Cook for scientific observations, reported that the land was more fertile. Cook's fame in Britain helped to fix the attention of the British government on the area, which had some strategic significance in the European wars of the late eighteenth and early nineteenth centuries.

In 1779 Joseph Banks recommended Botany Bay, named after the profusion of new plants found there, as a site for a penal settlement. A new outlet was needed for convicts to be transported overseas in continuance of British penal policy after the loss of the 13 North American colonies. In 1786 the British government decided to adopt Bank's recommendation. Considerations other than the pressing need to reduce the convict population may have influenced Lord Sydney, the home minister, in his action. There was, for example, some expression of interest in supplies for the Royal Navy and in the prospects for trade in the future. The first fleet in the series that transported convicts arrived in January 1788, bringing 1,500 people, nearly half of them convicts. On January 26, Captain Arthur Phillip of the Royal Navy raised the British flag at Sydney Cove, which he decided was preferable to Botany Bay, slightly to the south, as a settlement site. The colony of New South Wales was formally proclaimed on February 7, 1788.

Transportation of convicts eventually brought a total of about 160,000 prisoners to Australia. The initial character of a penal colony lasted for about 60 years in the areas of major original settlement. It ended in 1840 in New South Wales and in 1852 in Van Diemen's Land (modern Tasmania), which became a colony in 1825. Western Australia, which was founded in 1830 by free immigrants, added convicts to its population by its own choice from 1850 to 1868. Convicts were not sent to South Australia, which became a colony in 1836.

The major continuing problems of the colonies arose from efforts to carry out British policy designed for a penitentiary when other interests—fishing, sealing, farming, and trade—were developing. The economic development begun in the convict phase of settlement included the expansion of agriculture where conditions were favorable, as in Van Diemen's Land, which started in 1815 to export grain to New South Wales. Roads, bridges, and other transportation facilities necessary for commerce were built by convict labor, as were government buildings. In the early nineteenth century, enterprising colonists successfully introduced merino sheep as a source of the fine wool increasingly demanded by the expanding British textile industry.

Individual immigrants to Australia increased in number in the 1820s. They were mostly people of some means with which to acquire land, which was in general granted only to those of substance. This land policy, favoring the so-called exclusives, or individuals of established position, over the freed convicts, or emancipists, who sought to advance themselves, facilitated the pastoral expansion of the 1820s. The colonies already established—New South Wales and Van Diemen's Land—got most of the early immigrants, but some immigrants went to the newer colonies, Western Australia and South Australia. In the 1830s, the southern part of New South Wales, which later became the colony of Victoria (1851), was occupied by sheepmen from

farther north and from Van Diemen's Land. Thus, this portion of Australia was originally settled by migration within Australia.

In 1829, 19 counties around Sydney in the southeast, comprising 8.9 million hectares, were officially designated as the only area of settlement in New South Wales. But sheepmen had already established stations (ranches) and sheep runs beyond the official boundaries before they were so designated. Such individuals were legally trespassers on crown land and, like their counterparts in the United States who occupied land without title or permit, they became known as squatters. Unlike squatters in the United States, however, those in Australia were for the most part men of substance from the middle and upper classes of British society. The term *squatter* did not carry any invidious meaning. In fact, squatters became the landed gentry of Australia—the so-called squattocracy—and their wealth made them the most powerful economic segment of the population. Sheep were the basis of their wealth, and by 1850 there were more than 15 million head in Australia. Squatting was legitimized in 1836, after the British government recognized the impossibility of enforcing the original settlement restrictions. The expansion of the pastoral industry did not result in new urban centers; the hundreds of sheep stations in New South Wales had an average of only 10 to 12 people each. The established seaport cities continued to be the main centers of population, making relative urbanization a feature of the Australian settlement pattern in the colonial period.

**Self-Government and Economic Expansion, 1850–1900:** The Australian colonies of New South Wales, South Australia, Tasmania (renamed officially from Van Diemen's Land in its constitution), and Victoria achieved self-government during 1855 and 1856. Queensland received a constitution similar to that of New South Wales when it was separated from the latter and established as a new colony in 1859. Western Australia remained under the old system owing to its small population and limited economic growth. Democratic political practices developed rapidly after the new constitutions came into force.

The Australian colonies became self-governing while undergoing great changes caused by the discovery of gold in 1851. Gold was, in fact, a cause for the change in attitude of the British government, which considered that the increasing wealth as well as the growing population of the colonies justified their assumption of political responsibility. The discovery of gold, first in New South Wales and soon afterward in the new colony of Victoria, led to an influx of newcomers, including professional and skilled people. In the 1850s, Victoria produced more than one-third of the world's gold. Between 1852 and 1870, gold's export value was greater than that of wool. Most Australian gold was exported to Britain, which used it to maintain a gold standard for the pound.

Agriculture, transportation, and industry developed from the 1850s to meet the demands of the increasing population. South Australia, largely through its own capital resources, increased wheat output sharply, started the manufacture of agricultural machinery, and pioneered river transport to ship grain to Victoria. The colonial governments of New South Wales and Victoria undertook to build railroads, but the selection of different gauges was the origin of an eventual major problem in transportation. Industries of all sorts—processing, manufacturing, and engineering, including foundries and shipyards—were established in Sydney and Melbourne. Western Australia and Tasmania, however, did not experience similar development.

The pastoral industry adapted in part to changing conditions by greatly increasing cattle breeding for both beef and dairy products, which required less labor than sheep, and by slaughtering sheep for mutton. Where capital was available—chiefly in Victoria—station owners started to fence their sheep runs as a means of reducing their need for shepherds. Wool shippers benefited greatly from improved ocean shipping, which increased the frequency and decreased the cost and elapsed time of voyages to and from Britain.

The suddenly increased pressure on the land resources of New South Wales and Victoria beginning in the 1850s resulted in a popular movement against squatting and squatters; the slogan was “Unlock the Lands” to permit the formation of new wheat and dairy farms. The colonial governments were powerless to resolve the conflict until 1856, when their newly acquired constitutions gave them control of the disposition of public lands. Land reform laws were finally enacted in the 1860s after bitter political struggles. The elaborate provisions of the laws proved in many cases to be of more benefit to squatters than to would-be settlers.

The 1870s and 1880s were decades of great economic development in the Australian colonies. Farming expanded as railroads penetrated the coastal ranges of the southeast and more land became accessible. Irrigation works were extended and improved, specialized machinery was invented (for example, the so-called jump-stump plow), and improved seeds and farming methods contributed to higher yields. By the late 1880s, the volume of investment had led to spiraling speculation, especially in Victoria, where the boom reached its greatest height and where the subsequent collapse was eventually the greatest. Low wool prices and a severe drought brought about a depression in the 1890s.

**Federation to 1945:** The Commonwealth of Australia was established on January 1, 1901. After approval of a draft constitution by Australian voters, the British Parliament had passed legislation in 1900 to enable the commonwealth to come into existence. The constitution gave the commonwealth, or federal government, certain defined powers; all residual powers were given to the governments of the six colonies, which were renamed states. In this respect and in its separate and independent judiciary, the political system resembled that of the United States. Executive authority was established on the British model, with a cabinet headed by a prime minister responsible to the lower house of the bicameral legislature.

Expansion of the Australian economy in the first decade of the twentieth century was followed by an increase in immigration, which totaled 200,000 from 1911 to 1913 (population growth at that time was slowest in Victoria and fastest in Western Australia). Wool production reached a new high level, although the numbers of sheep had not quite regained the peak of 1891 after the serious damage of drought years to the pastoral industry. Tariff protection on a national basis encouraged an increase in the number of factories, in manufacturing production, and in industrial employment. Most industry was small scale, much of it concerned with processing agricultural commodities. The Australian steel industry started in 1905 when a blast furnace was built in New South Wales.

As part of the British Empire, Australia joined forces with Britain in World War I. Australian forces during World War I—all volunteers—totalled 416,809, drawn from a population that did not reach 5 million until 1918. Nearly 330,000 served overseas in army, navy, and flying corps

units. They incurred 226,000 casualties, including 60,000 killed. Australian forces took part in the naval and landing actions that eliminated the German presence in the South Pacific early in the war. Australian troops also participated in the campaigns in the Middle East that ended with Turkey's surrender. Australia's economy and politics were profoundly affected by the scope of the measures that the government took to support the country's war effort. The pattern of industry and employment changed, in part to provide substitutes for products unobtainable from Britain during the war. Despite the growth of manufacturing and industrial employment, unemployment was high—greater than 6 percent—and the Australian economy was not prosperous during the war years.

In World War II, the reaction was the same as that of 1914; Australia was automatically at war without further formality when Britain declared war on Germany on September 3, 1939. Again forces were sent to the Middle East. The Royal Australian Air Force was rapidly expanded, and some of its units took part in the Battle of Britain in 1940. In the difficult military campaigns that finally succeeded in eliminating or neutralizing Japanese military forces in the islands to the north and northeast of Australia, Australian army, navy, and air force units played a major role. Australia proper was not invaded but was subjected to 96 attacks by air, which included severe damage to Darwin. Some 691,400 men and women served in Australia's armed forces during six years of war. Casualties numbered about 71,000, of whom more than 29,000 were killed and almost 2,500 were missing; 30,000 were taken prisoner, of whom 8,000 died in captivity.

**Australia Since 1945:** In the post-World War II-era, Australia's foreign policy became more closely aligned with the United States than with Britain. Another foreign policy theme has been collective security. Australian forces participated in the Korean War (1950–53) in support of the United Nations (UN)-sponsored campaign. In 1951 Australia signed the Australia-New Zealand-United States (ANZUS) Security Treaty, which committed the three nations to mutual defense. In 1954 Australia helped found the Southeast Asian Treaty Organization (SEATO), which was the regional equivalent of the North Atlantic Treaty Organization (NATO). From 1965 to 1971, Australia sent troops to Vietnam in support of the United States-led intervention there. In 1990 Australia deployed three ships to support the United States-led naval blockade of Iraq following Iraq's invasion of Kuwait. After the September 11, 2001, terrorist attack on the United States, Australia invoked the ANZUS treaty and dispatched troops to Afghanistan. In 2003 Australia also sent troops to participate in Operation Iraqi Freedom. Australia was rewarded for its unwavering friendship with the United States when the two nations began to observe a bilateral free-trade agreement in January 2005. At the same time, Australia is developing an increasingly close relationship with China, and the two nations are pursuing a free-trade agreement.

From 1945 to 1965, Australia maintained a restrictive immigration policy, which favored immigrants from the British Isles and Eastern Europe over Asians. This policy, known as the White Australia Policy, was designed to preserve the country's racial and cultural homogeneity and full employment. Although Australia abandoned the White Australia Policy in 1965, opening the door to skilled Asian immigrants, current immigration policy continues to block the uncontrolled influx of poor refugees and asylum seekers from such countries as Iran, Iraq, Pakistan, Malaysia, and Indonesia. Overall, however, Australia's population is considered to be highly multicultural, with nearly one in four Australians having been born overseas.

Australia's relations with some of its Asian neighbors have suffered from time to time because of Australia's firm positions on immigration, terrorism, and regional security. For example, during the 1980s Malaysian leader Mahathir Mohamad tried to prevent Australia from joining the Asia-Pacific Economic Cooperation (APEC) forum, which ultimately admitted Australia in 1989. Mahathir was able to prevent Australia from joining the Association of Southeast Asian Nations (ASEAN), but Australia has become a dialogue partner of that organization. In 1999 Australia entered into a period of strained relations with Indonesia when Australia joined the UN-sponsored intervention in East Timor, which declared its independence after it was annexed by Indonesia in 1975. However, Australian-Indonesian relations took a notable turn for the better following Australia's generous aid after the tsunami disaster in December 2004.

## GEOGRAPHY

**Location:** Australia is located in Oceania, in the southern hemisphere, occupying the entirety of the continent situated between the Indian Ocean and the South Pacific Ocean as well as numerous islands, most notably the island state of Tasmania. Neighboring nations include Indonesia to the northwest, Papua New Guinea and the Solomon Islands to the northeast, and New Zealand to the southeast. Antarctica lies to the distant south.



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**Size:** Australia is slightly smaller than the 48 contiguous states of the United States. Its total area is 7,686,850 square kilometers, of which 68,920 square kilometers are water. Australian territory and dependencies include thousands of islands that vary greatly in size and proximity.

**Land Boundaries:** None.

**Disputed Territory:** As of 2005, Australia and East Timor have failed to reach an agreement over how to delimit a permanent maritime boundary. In addition, the two nations disagree about how to share unexploited petroleum resources not covered by the 2002 Timor Sea Treaty. This bilateral dispute in turn has hampered revision of the maritime boundary between Australia and Indonesia; Indonesian groups dispute Australian claims over the Ashmore Reef. Australia also asserts land and maritime claims in Antarctica.

**Length of Coastline:** Australia's coastline totals 25,760 kilometers along the Timor Sea in the northwest, the Arfura Sea in the north, the Coral Sea in the northeast, the Tasman Sea in the southeast, and the Indian Ocean in the south and west.

**Maritime Claims:** Australia claims a 12-nautical-mile territorial sea, a 24-nautical-mile contiguous zone, a 200-nautical-mile exclusive economic zone, and a 200-nautical-mile continental shelf or the distance to the edge of the continental shelf. In 2004 Australia claimed a 1,000-nautical mile-wide maritime identification zone, an act that has caused concern among other states in the region.

**Topography:** Plateaus with areas of desert dominate the western two-thirds of Australia. The lowland plains of the east-central region gradually rise into a highland belt along the east coast.

Mainland Australia's highest point, at 2,228 meters, is Mount Kosciuszko; the lowest point, at 15 meters below sea level, is Lake Eyre. The highest point in Australian territory is Mawson Peak (2,745 meters high), located on Heard Island north of Antarctica.

**Principal Rivers:** Australia is the world's driest inhabited continent (only Antarctica is drier), and many of its rivers have highly variable flows. Australia's longest river is the Murray (2,520 kilometers); other major rivers are the Murrumbidgee (1,575 kilometers), the Darling (1,390 kilometers and a tributary of the Murray River), and the Lachlan (1,370 kilometers). The Murray-Darling River Basin covers more than 1 million square kilometers, or around 14 percent of Australia.

**Climate:** Australia's climate is subtropical arid. The north has hot, humid, and rainy summers and dry, warm winters. In the south, summers are dry and sunny, and winters are mild and rainy. Except on the eastern coast, rainfall is generally low. Average annual rainfall ranges from 325.6 millimeters in Alice Springs to 1,847.1 millimeters in Darwin. The average daily maximum temperature ranges from 17.2° C in Hobart to 32.1° C in Darwin. The average daily minimum temperature ranges from 6.7° C in Canberra to 23.4° C in Darwin.

**Natural Resources:** Australia has significant deposits of coal, natural gas, petroleum, and various minerals, including bauxite, copper, diamonds, gold, iron ore, lead, nickel, silver, tungsten, uranium, and zinc.

**Land Use:** Only 6 percent of the Australian landmass is arable, and less than 1 percent is dedicated to permanent crops. The remaining 93 percent of the land mass is arid and nutrient poor. As of 2002, 10 percent of Australia's environment was protected under various forms of legislation.

**Environmental Factors:** Australia faces a number of significant environmental concerns, including soil erosion as a result of overgrazing, industrial development, and poor farming practices; desertification; and limited natural freshwater sources. It is estimated that since European settlement, 50 percent of Australia's wetlands have been drained and put to other uses. Shrinking habitat due to increasing agriculture is a threat to the sustainability of a variety of native plant and animal species, and increased shipping and tourism threaten the Great Barrier Reef. Invasive non-native plant and animal species introduced onto the Australian continent in the past century have at times had a negative impact on the environment.

**Time Zones:** Australia has three time zones. Western Australia observes Western Standard Time (WST), the Northern Territory and South Australia observe Central Standard Time (CST), and Queensland, New South Wales, Victoria, and Tasmania observe Eastern Standard Time (EST). WST is eight hours ahead of Greenwich Mean Time (GMT), CST is GMT + 9:30 hours, and EST is GMT + 10 hours.

## SOCIETY

**Population:** In 2005 Australia's population reached 20 million, a major milestone for a country that is underpopulated by world standards. In 2003 (the most recent year for which detailed figures are available), Australia's population was slightly less than 19.9 million, with an annual growth rate of 1.2 percent. Most of Australia's residents live in two widely separated coastal regions on the east and southwest coasts. Population density is low, at 2.6 persons per square kilometer. Nevertheless, Australia is one of the most urbanized countries in the world; less than 15 percent of the population lives in rural areas. The most populous state in 2003 was New South Wales, with some 6.6 million residents; the least populous was Tasmania, with approximately 477,000 residents. Population density is highest in the Australian Capital Territory at 137 persons per square kilometer and lowest in the Northern Territory at 0.16 persons per square kilometer. At the end of 2003, 89,437 permanent settlers arrived in Australia, and the country hosted some 22,800 refugees. That same year, 48,148 persons departed Australia permanently. Nearly two out of every seven Australians are foreign-born.

**Demography:** According to 2005 estimates, 19.8 percent of the population is less than 15 years of age, 67.2 percent is 15–64, and those aged 65 and older account for 12.9 percent of the population. The overall population has 0.99 males for every female. The number of births per 1,000 is 12.3 and the number of deaths, 7.4 per 1,000. The infant mortality rate per 1,000 live births is nearly 4.7. The total fertility rate is nearly 1.8 children born per woman. Life expectancy at birth is estimated at 80.4 years (77.5 years for men, 83.4 years for women).

**Ethnic Groups:** Caucasians represent 92 percent of the population of Australia. Asians make up 6 percent, and aboriginal peoples account for 2 percent.

**Languages:** English is the official language of Australia, but 2.8 million people, corresponding to 16 percent of the population, speak another language at home, according to the 2001 census. The most commonly used languages after English are Italian, Greek, Cantonese, Arabic (including Lebanese), Mandarin, and Spanish. In addition, more than 50,000 people speak an indigenous language.

**Religion:** Roman Catholics represent 27 percent of the population; Anglicans, 21 percent; other Christian denominations, 20 percent; and non-Christian faiths, 5 percent. Australians claiming no religious affiliation represent 16 percent of the population, while another 12 percent choose not to state their religious affiliation.

**Education and Literacy:** Education is compulsory from six to 16 years of age in the states of South Australia and Tasmania and to 15 years of age elsewhere in Australia. The final two years of secondary school generally take place after the compulsory stage; 75 percent of students attended the final two years of schooling in 2003. Curricula vary from state to state, but as of early 2005 moves were underway to standardize core education areas and the age of commencement of students. These changes are expected to allow students to have access to 13 years of schooling on a comparable basis anywhere in Australia. In 2003 Australia had 9,607 primary and secondary schools (72 percent of which were government schools), with 3.3 million students (2.3 million in government schools) and 229,576 full-time or full-time equivalent



teachers (67 percent in government schools). Australia has approximately 40 institutions of higher education. In 2003, 929,952 students attended institutions of higher education (including about 500,000 women), and institutions of higher learning employed 35,867 faculty (about 60 percent male) and 48,568 non-academic staff (about 60 percent female). As of 2005, the nation's literacy rate was 85 percent.

**Health:** Australians enjoy one of the highest life expectancies in the world (total population 80.4 years; 77.5 male, 83.4 female) and a well-developed health care system. In 2002–3 total spending on health care (government, private health insurance, and individual outlays) as a proportion of the gross domestic product was 9.5 percent. The Australian government provided 68 percent of total health expenditures in 2002–3, which amounted to US\$54.8 billion, or US\$2,773 per person. The Australian government funds Medicare, the national health insurance program. Around 40 percent of Australians augment their coverage with private health insurance. States and territories are charged with delivery and management of public health services and with regulating health care providers and facilities. In 2002–3 (the most recent year for which figures are available), Australia had 748 public hospitals with 52,200 beds (or 2.6 beds per 1,000 people), representing about 66 percent of all beds in the hospital sector. Private hospitals in 2002–3 numbered 536. In 2003–4, the health care sector employed 384,000 people, or 4 percent of the workforce; females represented 74 percent of the health care work force.

The leading causes of death in Australia in 2002 were cancer (28 percent) and cardiovascular disease (20 percent). In 2003 an estimated 14,000 Australians were living with human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS); they represented 0.1 percent of the population. Fewer than 200 Australians died from HIV/AIDS during 2003.

**Welfare:** Australia has an extensive, multifaceted social welfare system designed to address the educational, health care, housing, and income needs of its citizens. More than 4 million Australians are direct beneficiaries of income support payments. Other social welfare programs include family assistance, youth and student support, child-care support, labor-market assistance, housing assistance (both rental and home ownership), support for people with disabilities, support for caregivers, support for the aged, and retirement planning assistance. Residential facilities for aged persons are funded by various sources, including the government. An array of veterans' benefits also are provided by the government, including disability compensation (for veterans and their surviving spouses), a veterans' children education program to provide education allowances and other forms of educational assistance, income support, military compensation and rehabilitation, housing programs, and health care and counseling services.

## ECONOMY

**Overview:** Australia's market economy charted a fourteenth consecutive year of positive growth in 2004, and growth in early 2005, although somewhat cooler, remained robust. Recent growth has been buoyed by rising demand for commodities that Australia has in abundance and that China requires for its surging economy. China and Australia, natural economic partners (China needs raw materials, and Australia needs manufactured goods), are pursuing a free-trade agreement. In January 2005, a free-trade agreement between Australia and the United States

went into force. The services sector accounts for 68.4 percent of the gross domestic product (GDP); mining and agricultural services (only 7 percent of GDP combined) account for 57 percent of Australia's goods and services exports. Manufacturing, in decline for decades, accounts for just 11 percent of GDP. Since the 1980s, Australia has replaced its import substitution economy with an export-oriented one, in the process instituting key reforms such as reducing high tariffs, floating the Australian dollar, and improving the integration of state economies into a federal system. These reforms, along with consistent positive economic indicators (including high and rising per capita income, rising productivity, low unemployment, low inflation, and consistent GDP growth), are the foundation of Australia's economic prosperity.

**Gross Domestic Product (GDP):** Australia's GDP grew by 3.5 percent in 2004 to reach US\$607.6 billion, with services accounting for 68.4 percent of GDP, industry 28.2 percent, and agriculture just 3.4 percent. GDP per capita was approximately US\$30,000. GDP is expected to increase by 3.2 percent in 2005.

**Government Budget:** In 2004 Australia's general government budget was US\$221.7 billion. Revenues slightly exceeded expenditures. The budget surplus was expected to decline somewhat in 2005–6. Australia has a remarkable record of fiscal discipline, as demonstrated by the statistic that government debt corresponds to only 2.9 percent of gross domestic product (GDP), compared with an average of about 45 percent of GDP in Organisation for Economic Cooperation and Development (OECD) nations.

**Inflation:** Inflation fell to 2.3 percent in 2004, down from a four-year high of 4.5 percent in 2000.

**Agriculture, Forestry, and Fishing:** In 2004 agriculture accounted for 3.4 percent of gross domestic product (GDP) and employed about 4 percent of the labor force. Continued dry conditions in 2004–5 are expected to reduce output in the agricultural sector. Production of wheat, one of Australia's major agricultural products, is expected to decline by 19 percent from the record 24.9 million ton harvest in 2003–4. Besides wheat, other significant agricultural products include barley, sugarcane, fruit, cattle, sheep, and poultry.

In 2002 (the most recent year for which figures are available), Australia's sawnwood production totaled 4.1 million cubic meters, and roundwood removals totaled 31.4 million cubic meters (excluding bark). In 2001–2 (the most recent year for which figures are available), Australia's total catch was 233,000 tons of fish, up from 229,800 in 2000–2001.

**Mining and Minerals:** In 2002 the major products of Australia's mining sector included magnesite (449,000 tons), hard coal (348.9 million tons), gold (278 tons), iron ore (198 million tons gross weight), talc (166 million tons), lignite (73 million tons), and bauxite (54 million tons), as well as 240 million barrels of crude petroleum and 33 million cubic meters of natural gas. In that same year, Australian mines produced 32 million carats of gem and industrial diamonds. The majority of Australia's mineral production is exported, with the exception of crude oil, which is refined and used domestically.

**Industry and Manufacturing:** The industrial sector's share of Australia's gross domestic product (GDP) has declined steadily since the 1970s. In 2004 the industrial sector accounted for 28.2 percent of GDP and employed about 26 percent of the labor force. In 2002 (the most recent year for which complete figures are available), major products included concrete (19.4 million cubic meters), tobacco (18.4 million tons), automotive gasoline (18 million liters), automotive diesel fuel (13 million liters), raw steel (8.3 million tons), cement (7.2 million tons), pig iron (6 million tons), and beer (1.7 million liters).

**Energy:** Australia has significant reserves of coal, natural gas, and petroleum and is one of the few Organisation for Economic Cooperation and Development (OECD) countries that is a net exporter of energy. As of January 2002, Australia had the capacity to generate 45.3 million kilowatts of electricity. In that same year, Australia generated 210.3 billion kilowatt-hours while consuming 195.6 billion kilowatt-hours.

Coal fuels most domestic power consumption, and Australia is the world's largest exporter of coal, with 28 percent of global coal exports. Australia's coal reserves are estimated at 90.5 billion short tons, and approximately 60 percent of annual production is exported, with 60 percent of coal exports destined for Japan. In the decade leading up to 2002, coal production grew by 4 percent annually, reaching 378 million short tons that year. Proposed tariffs on coal imports into Japan as well as competition from China's coal sector could weaken the industry in the future.

Oil reserves are estimated at 3.5 billion barrels, an increase of 20 percent over 2001 levels. Oil production peaked in 2000 at 805,000 barrels per day but has fallen since then and is expected to level out at 560,000 barrels per day in 2006. Australia has eight refineries with a total crude oil distillation capacity of 754,975 barrels per day, but the refinery sector has suffered from declining gross margins. ExxonMobil closed its Adelaide refinery in 2003, and further closures are expected.

Natural gas reserves are estimated at 90 trillion cubic feet, making Australia the largest reserve in the Asia-Pacific region. Disputes over rights to large reserves in the Timor Sea between Australia and East Timor continue despite the signing of the Timor Gap agreement in March 2003. Australia began exporting liquefied natural gas (LNG) in 1989 and by 2002 was the sixth largest global exporter of LNG. Japan is the primary market for Australian LNG, although China, South Korea, and Spain also purchase smaller shipments. A proposed sale of 12.5 percent of the Gorgon field's proven reserves (estimated at 12.9 trillion cubic feet) to China's CNOOC would generate US\$21 billion in sales over a 25-year period, making it the largest export commitment in Australia's history.

**Services:** In 2004 services constituted an estimated 68.4 percent of Australia's gross domestic product (GDP) and employed about 70 percent of the labor force. Services include banking and finance, education, entertainment, information technology, legal services, and tourism. In 2002 Australia exported US\$24.0 billion worth of services, including US\$8.1 billion worth of tourism. The services sector benefits from a multilingual workforce.

**Banking and Finance:** As of the end of 2003, Australia's financial services industry accounted for 8 percent of gross domestic product (GDP) and employed 345,000 people. At the same time, banks and other financial institutions had assets of about US\$1.8 trillion, more than 70 percent higher than five years earlier. Banks accounted for half of these assets; other financial institutions included registered financial corporations and managed funds. With almost 54 percent of adult Australians owning shares, Australia's equity markets have grown even more dramatically. From the end of 1993 to the end of 2003, the market capitalization of the Australian Stock Exchange (ASX) increased from US\$132 billion to US\$580 billion. The ASX now ranks as the second largest stock exchange in the Asia-Pacific region and the eighth largest in the world.

**Tourism:** In 2002 Australia's international tourism receipts reached US\$8.1 billion, up from US\$7.6 billion in 2001. Tourism directly employs 500,000 workers in Australia and is one of the country's fastest growing industries. In 2004 nearly 250,000 tourists from China visited Australia, a one-year increase of nearly 50 percent, suggesting that growth in the tourism sector is likely to continue as new sources of visitors emerge.

**Labor:** In June 2005, Australia's unemployment rate was 5.1 percent, close to a 30-year low. Employment exceeded 10 million. The labor participation rate was 64.7 percent. About 70 percent of the labor force is employed in the services sector, 26 percent in industry, and 4 percent in agriculture.

**Foreign Economic Relations:** Australia is balancing traditionally strong economic ties to the United States with a budding economic partnership with China, but the European Union is Australia's largest overall trading partner. The United States is the single largest investor in the Australian economy, and Australia buys more products from the United States than from any other nation. However, U.S. farm subsidies and trade barriers have been the source of friction. On January 1, 2005, Australia and the United States enacted a free-trade agreement, and now Australia is pursuing similar agreements with China, Malaysia, and the United Arab Emirates. China and Australia are natural economic partners because China needs Australia's raw materials, such as coal, iron ore, gas, and oil, for its manufacturing sector. Japan—the top single importer of Australian products—purchased twice as much from Australia as China did in 2004.

Although Australia generally prefers bilateral trade agreements, it sometimes is willing to advance its economic goals in a multilateral context, such as via the Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA) Closer Economic Partnership and the Asia-Pacific Economic Cooperation (APEC) forum. The Australian government believes that more trade liberalization can be achieved through bilateral arrangements than under the auspices of the World Trade Organization (WTO), of which Australia is a founding member (since January 1, 1995).

**Imports:** In 2004 Australia imported US\$110.0 billion of merchandise. The largest imports were passenger motor vehicles (7.9 percent), crude petroleum (5.9 percent), computers (3.9 percent), medicine (3.8 percent), and telecommunications equipment (3.5 percent). The principal import partners were the United States (14.5 percent), China (12.7 percent), Japan (11.8 percent), Germany (5.8 percent), and Singapore (4.4 percent).

**Exports:** In 2004 Australia exported US\$91.7 billion of merchandise. The largest exports were coal (11.4 percent), iron ore (5.2 percent), non-monetary gold (4.8 percent), crude petroleum (4.2 percent), and bovine meat (3.9 percent). The principal export partners were Japan (18.9 percent), China (9.3 percent), the United States (8.1 percent), South Korea (7.8 percent), and New Zealand (7.4 percent).

**Trade Balance:** In 2004 Australia posted a merchandise trade deficit of US\$18.3 billion.

**Balance of Payments:** In 2004 Australia's current account balance was negative US\$39.6 billion, representing 6.4 percent of gross domestic product. The current account deficit was offset by a similar surplus in the capital and financial account. In particular, the inflow of portfolio investment was unusually high. In general, inbound direct and portfolio investments are needed to finance Australia's chronic current account deficit.

**External Debt:** In 2003 Australia's external debt was US\$237.9 billion, representing 30 percent of gross domestic product.

**Foreign Investment:** In 2004 foreign direct investment totaled US\$57 billion, only slightly less than China's US\$60 billion. This unusual achievement was attributable in part to investor interest in Australia's mineral resources. However, Australia also attracted foreign investment because of the country's transparent and law-abiding government institutions and strong services sector. As of year-end 2004, cumulative foreign investment in Australia totaled US\$888.6 billion versus Australian investment abroad of US\$460.8 billion.

**Foreign Aid:** In the 12 months ending in mid-2005, Australia contributed US\$1.6 billion of official development assistance (ODA), representing about 0.25 percent of gross domestic product (GDP), slightly higher than the donor average. Typically, the largest recipient of ODA is Papua New Guinea, a severely underdeveloped country that receives one-fifth of the total amount. However, in January 2005 Australia announced a US\$770 million tsunami aid package—divided equally into grants and loans—for Indonesia. The twin goals of the ODA program are poverty reduction and regional stability, which the government holds to be closely related. The primary aid categories are governance (20 percent), education (16 percent), health (13 percent), infrastructure (13 percent), and other (24 percent).

**Currency and Exchange Rate:** Australia's currency is the Australian dollar (AUD). The exchange rate as of September 1, 2005, was US\$1=AUD1.33. The Australian dollar, which has floated since 1983, is the world's seventh most traded currency.

**Fiscal Year:** Australia's fiscal year runs from July 1 to June 30.

## TRANSPORTATION AND TELECOMMUNICATIONS

**Overview:** Australia's transportation system must contend with the challenges of a vast, thinly populated continent. Over time, railroads have suffered from incompatibility as a result of the use of different gauges, but in January 2004 the first intercontinental rail service opened between

the southern city of Adelaide and the northern city of Darwin. The road system varies in quality. More than 95 percent of the roads in the compact Australian Capital Territory are paved, whereas in the Northern Territory—with a small population settled in a large region—only about 29 percent of the roads are paved. Melbourne is Australia's busiest port.

**Roads:** Australia has 808,295 kilometers of roadways, 643,481 kilometers of which are surfaced. An 18,500-kilometer national highway links the state capitals and is the principal interstate road network. There are 259.5 kilometers of toll roads around Brisbane, Melbourne, and Sydney.

**Railroads:** The separate British colonies of Australia developed their own rail systems prior to federation in 1901, and as such, it was not until 1995 that the various capital cities (with the exception of Darwin in the Northern Territory) were connected to one another by standard-gauge (1.435-meter) rail lines. Australia has 43,802 kilometers of railroads, of which just 5,290 are electrified. Standard-gauge rail accounts for 26,675 kilometers, narrow-gauge for 14,957 kilometers, broad-gauge for 1,957 kilometers, and dual-gauge for 213 kilometers. In January 2004, the first transcontinental railroad began freight service between Adelaide and Darwin. The completion of this railroad is expected to facilitate trade with China. The dream of a transcontinental railroad first had been conceived in the mid-nineteenth century.

**Ports:** Australia, an island nation located a great distance from major international markets, is heavily dependent on its system of ports. There are five major Australian ports: Adelaide, Brisbane, Fremantle, Melbourne, and Sydney. Melbourne is the largest container and general cargo port in the nation and handles approximately US\$60 billion worth of trade annually. Sydney, the second largest port, actually includes two ports; 70 percent of Sydney's bulk and container trade goes through Botany Bay, while Sydney Harbour handles passenger as well as commercial trade. Fremantle, located south of Perth and the port closest to the Southeast Asian hub of Singapore, is the third largest in Australia.

**Inland Waterways:** Although the Murray River once served as an important transport artery, it has been supplanted by rail and other trade routes. The Murray and other rivers in the Murray-Darling river system are used mostly for recreation.

**Civil Aviation and Airports:** Australia has 411 airports, of which 271 have paved runways. In preparation for the 2000 Olympics, Sydney Airport underwent a US\$800 million upgrade, while an earlier runway expansion of Adelaide's airport made it accessible to Boeing 747 aircraft. Other major airports include Brisbane, Canberra, Melbourne, and Perth. Australia's national carrier is Qantas, which was privatized in 1992 after deregulation of the Australian airline industry. It was purchased by British Airways in 1993 and in 2000 carried 20 million passengers and 82,000 tons of freight. Qantas provides domestic and international service; its main overseas destinations include Auckland, Bangkok, Frankfurt, Hong Kong, Honolulu, London, Los Angeles, Manila, New York, Paris, Rome, Singapore, Shanghai, Taipei, and Tokyo. Qantas's fleet of 194 aircraft (as of July 2005) includes planes such as the Boeing 737-800 and 747-400ER and the Airbus A330-200 and A330-300. Qantas is scheduled to take delivery of 12 Airbus A380 aircraft in 2007. Virgin Blue, a low-cost domestic carrier, also operates in Australia.

**Pipelines:** The bulk of Australia's pipeline infrastructure was built to carry natural gas from production fields in the center of the country to coastal cities. There are roughly 29,000 kilometers of natural gas pipeline, but just 4,700 kilometers of oil pipeline. Pipeline infrastructure is fragmented, and new investment is hindered by concerns among investors that tax and regulatory frameworks are unwieldy. Updating the pipeline infrastructure in order to efficiently supply the nation with energy from burgeoning offshore natural gas fields will require (according to the Australian government) US\$5.5 billion over 10 years. The Australian Pipeline Trust operates some 4,400 kilometers of pipeline, both oil and gas, and Epic Energy operates another 2,500 kilometers of oil and gas pipeline.

**Telecommunications:** According to the Australian government, 37 percent (2.7 million) of all Australian households had Internet access in 2000, and 56 percent (4 million) of households had access to a computer at home. A 2004 survey by the Australian government found total Internet subscribers numbered more than 5.7 million, including 1.3 million broadband. Australia had 687 Internet service providers as of September 2004. In 2003, 14.3 million mobile phones and 10.8 million telephone main lines were in use in Australia. In 2004 Australians owned 7.3 million televisions; 99 percent of households owned at least one television set. Australian homes and vehicles also had 38 million radios.

## GOVERNMENT AND POLITICS

**Overview:** Australia is an independent nation within the Commonwealth of Nations, which is headed by the British monarch. Australia recognizes the sovereignty of the British monarch, who is represented in Australia by a governor general. Australia's political system is a parliamentary democracy that operates according to the Westminster model. The main features of the Westminster system are that the majority in the lower house of parliament forms the government and appoints the prime minister, who selects a cabinet accountable to the lower house. The minority parties form a loyal opposition. Australia's government adheres to federalism, whereby power is divided between the national government (also known as the commonwealth) and the states.

**Constitution:** Australia's constitution was approved on July 9, 1900, and went into effect on January 1, 1901. It is partly modeled after the U.S. constitution, but it does not include a "bill of rights." The constitution establishes a federal system, whereby the national government, or commonwealth, and the states share power. The constitution clearly defines the powers of the commonwealth, and residual powers reside with the states. In the event that commonwealth law is inconsistent with state law, commonwealth law takes precedence.

**Branches of Government:** The nominal head of state is the governor general, who is appointed by the prime minister in consultation with the British monarch. Although the constitution stipulates that the British monarch shall appoint the governor general, the prime minister actually decides who will serve in this capacity. Australia has a bicameral parliament, consisting of the 76-member Senate and the 150-member House of Representatives. Each state has 12 senators, and each territory has two senators, regardless of population. Seats in the House are apportioned by population, but no state can have fewer than five representatives. The majority party (or party

coalition) in the House of Representatives forms the government and appoints its leader as prime minister, whereupon he or she selects cabinet ministers from both chambers of parliament. The ministers are accountable to parliament, which has the right to question them publicly. Both houses of parliament may initiate ordinary legislative proposals, but all revenue bills must originate in the House. A simple majority is needed to adopt a bill in either house. A bill passed by one house is transmitted to the other for concurrence. If passed by both houses, the bill is submitted to the governor general for royal assent in the name of the queen.

Australia has an independent judiciary. Civil and criminal courts exist at the federal, state, and territorial levels. At the pinnacle of the federal court system stands the seven-member High Court, which has ultimate responsibility for appeals and constitutional reviews. State and territorial supreme, district, and county courts handle major cases. Magistrates' and specialists' courts handle minor cases.

**Administrative Divisions:** Australia is divided into six states (New South Wales, Queensland, South Australia, Tasmania, Victoria, and Western Australia) and two principal self-governing territories (the Australian Capital Territory, which includes the national capital of Canberra, and the Northern Territory). Australia also administers a number of territories and dependencies, including the Ashmore and Cartier Islands, Christmas Island, the Cocos (Keeling) Islands, the Coral Sea Islands, Heard Island and the McDonald Islands, and Norfolk Island.

**Provincial and Local Government:** Under the federal system, the commonwealth shares power with the states, and the financial relationship between these two levels of government is a key challenge. The federal government collects 70–80 percent of taxes, but the responsibility for spending is more evenly shared between the commonwealth and the states. A premier heads each of the six states, and a chief minister heads each of the two territories. These figures are the leaders of the governing party in the popularly elected state or territorial legislatures.

**Judicial and Legal System:** Australia has an independent judiciary. The legal system is based on English common law, including the principle of judicial precedent. Defendants are entitled to a fair trial, the presumption of innocence, and representation by an attorney, and they have the right to appeal decisions and sentences. In general, judges conduct trials, and juries deliver the verdicts.

**Electoral System:** National elections are held at least every three years because that is the maximum term for any government. Voters rank candidates for the House of Representatives and the Senate by number, and these preferences are used to determine the winners. Voters state their preference for House candidates in their district and for Senate candidates in their state. Senators representing each of the six states are elected for six-year terms, and half of them stand for election every three years. Senators representing each of the two territories are elected for three-year terms. All members of the House serve three-year terms. Voting is universal and compulsory at age 18, and small fines are imposed on the less than 10 percent of the electorate that declines to participate. The last national elections were held in October 2004.

**Politics and Political Parties:** The Liberal Party and the Nationals form Australia's governing coalition, which has been in power since 1996. This coalition solidifies an alliance between



urban and rural interests, given that the Liberals primarily represent urban and pro-business voters while the Nationals, whose support is waning, primarily represent rural voters. The coalition currently holds 87 seats in the House (75 Liberal and 12 National). The main opposition party is the Australian Labor Party (60 seats in the House), which represents left-of-center and pro-trade union voters. The other parties—Australian Democrats, Australian Greens, and Family First—are small and have a marginal impact on politics. The current prime minister is John Howard, who took office in 1996 and was reelected in 1998, 2001, and 2004.

**Mass Media:** Australia's mass media are independent of the government and enjoy freedom of the press. In an October 2003 survey, the international group Reporters without Borders rated Australia fiftieth in the world in terms of press freedom. On July 1, 2005, the Australian government's Communications and Media Authority (ACMA) assumed responsibility from predecessor organizations for regulating the mass media. ACMA is responsible for enforcing the Broadcasting Services Act of 1992, which prohibits the excessive concentration of media ownership and promotes community standards.

*The Australian* is the only national broadsheet newspaper. Other prominent newspapers include *The Age*, which is published in Melbourne, and the *Sydney Morning Herald*. Major national magazines include *New Dawn* and *News Weekly*. Several other publications, including the *Australian Financial Review*, focus on financial news and analysis. Australia has three national commercial television networks—Nine Network, Seven Network, and Network Ten—and two public television broadcasters: the Australian Broadcasting Corporation (ABC) and Special Broadcasting Service (SBS). There are 50 regional or local commercial television stations, plus two major cable television networks. ABC and SBS also manage radio networks. Australia has 272 commercial radio stations.

**Foreign Relations:** Australia's foreign policy revolves around relations with the United States, Japan, China, and Indonesia. Throughout its history, Australia has been a close ally of the United States, and the two nations continue to maintain a close political, military, and economic relationship. Despite a wide-ranging consensus on regional issues and counterterrorism, Australia has expressed concern about the failure of the United States to ratify the Comprehensive Nuclear Test Ban Treaty or to sign the Biological Weapons Convention. Australia participated in United States-led military interventions in Afghanistan and Iraq in the early 2000s. The United States is a major trading partner, and the two nations concluded a free-trade agreement that went into effect on January 1, 2005. At the same time, Australia has increasingly close economic ties with China, with which it is pursuing a similar free-trade agreement. The achievement of free-trade agreements with both the United States and China would be a first among major nations. Australia is attempting to balance its budding friendship with China and its long-standing friendship with the United States. This balancing act could face a critical test should China ever attempt to use force against Taiwan. Complicating matters, Australia also is seeking to maintain a historically strong relationship with Japan, another rival of China. Australia's relations with Indonesia took a turn for the better in January when Australia provided US\$770 million of aid to help Indonesia recover from the December 2004 tsunami that devastated the province of Aceh. In April 2005, the two nations agreed to a "comprehensive partnership." Relations between the two nations had suffered a severe setback in 1999 when

Australia supported a United Nations-led intervention in East Timor, which had declared independence from Indonesia.

Australia has historically had a close relationship with neighboring New Zealand, based on common economic and security interests. Nevertheless, relations between the two have been strained by conflicting views of U.S. foreign policy and defense requirements. Australia has been critical of what it perceives as New Zealand's inadequate spending on defense, and New Zealand has criticized Australia's support for U.S. foreign policy initiatives.

**Membership in International Organizations:** Economic/Trade: Asia-Pacific Economic Cooperation, Asian Development Bank, Bank for International Settlements, Commonwealth, Cairns Group (agricultural trade), Financial Stability Forum, Food and Agriculture Organization, Friends of Fish (fishing reform), Group of 20, International Chamber of Commerce, International Labour Organization, International Monetary Fund, International Telecommunication Union, Organisation for Economic Cooperation and Development, Paris Club, United Nations Conference on Trade and Development, World Bank, World Customs Organization, World Trade Organization, and World Wine Trade Group. Security/Political: Australia Group (non-proliferation), CANZ (caucus on UN issues), Group of 10, Geneva Group (UN reform), International Atomic Energy Agency, International Criminal Court, International Criminal Police Organization (Interpol), JUSCANZ (UN coordination), Margineers Group (continental shelf limits), Missile Technology Control Regime, Nuclear Suppliers Group, Organisation for the Prohibition of Chemical Weapons, United Nations, United Nations High Commissioner for Refugees, United Nations Truce Supervision Organization, Wassenaar Arrangement (arms transfers), and Zangger Committee (non-proliferation). Environmental: Biosafety Commodity Exporters Group, Umbrella Group (climate change), Valdivia Group (Southern Hemisphere environmental issues), and Whale Protection Group. Other: Consular Colloque (consular issues), Five Nations Conference (travel documentation), International Civil Aviation Organization, International Maritime Organization, International Olympic Committee, International Organization for Migration, United Nations Educational, Scientific, and Cultural Organization, World Health Organization, and World Tourism Organization. Australia is not a member of the Association of Southeast Asian Nations (ASEAN), but it is a dialogue partner.

**Major International Treaties:** Australia is a party to the following international agreements: Antarctic-Environmental Protocol, Antarctic Treaty, Australia New Zealand Closer Economic Relations and Trade Agreement, Australia-New Zealand-United States Security Treaty (ANZUS), Biodiversity, Biological Weapons Convention, Chemical Weapons Convention, Colombo Plan, Comprehensive Nuclear Test Ban Treaty, Desertification, Endangered Species, Environmental Modification, Fissile Material Cut-off Treaty, Five Power Defense Arrangement (Australia, Malaysia, New Zealand, Singapore, and the United Kingdom), Hazardous Wastes, Heavily Indebted Poor Countries Initiative, Kyoto Protocol (signed but not ratified), Law of the Sea, Marine Dumping, Marine Life Conservation, Ozone Layer Protection, Rome Statute of the International Criminal Court, Treaty on the Non-Proliferation of Nuclear Weapons, Tropical Timber 83, Tropical Timber 94, and Wetlands.

## NATIONAL SECURITY

**Armed Forces Overview:** Australia's military (the Australian Defence Force) consists of 51,800 active-duty personnel and 21,600 reserves. Active-duty forces are assigned to the various services as follows: army (25,300), navy (12,850, including 990 naval aviation), and air force (13,650). The reserves are assigned as follows: army (17,200), navy (1,600), and air force (2,800).

**Foreign Military Relations:** Australia's most important foreign military relationship is with the United States. This mutual defense relationship is formalized in the Australia-New Zealand-United States (ANZUS) Security Treaty. Al Qaeda's attack on the United States on September 11, 2001, triggered the mutual-defense commitment, and Australia participated in subsequent United States-led military interventions in Afghanistan and Iraq. Australia also belongs to a military alliance with Malaysia, Singapore, New Zealand, and the United Kingdom under the Five-Power Defense Arrangements. In addition, the Association of Southeast Asian Nations (ASEAN) Regional Forum fosters the discussion of regional security issues. In July 2005, Australia's foreign minister announced that Australia would sign an agreement with ASEAN forswearing the use of force to settle regional disputes or intervention in the affairs of other member states. This step was a concession—long resisted by Australia—that paved the way for Australia to participate in an East Asian summit later in 2005.

**External Threat:** Australia faces an external threat from regional terrorist organizations, particularly al Qaeda affiliates, such as Jemaah Islamiyah (Community of Islam). Australia has reached memoranda of understanding with Indonesia, Malaysia, Thailand, and Brunei that formalize counterterrorism cooperation.

**Defense Budget:** Australia's defense budget for fiscal year 2005 is US\$12.4 billion, representing about 2 percent of gross domestic product (GDP).

**Major Military Units:** The army's Land Command has a main headquarters, one deployable joint force headquarters, and three brigade headquarters, which are in charge of the following units: three combat service support regiments, one joint support regiment, one electronic warfare regiment, one armored regiment, two reconnaissance regiments, six infantry battalions, one independent armored personnel carrier squadron, one medium artillery regiment, two field artillery regiments, one air defense regiment, three combat engineering regiments, and three regional force surveillance units. An aviation brigade headquarters has one aviation brigade, two aviation regiments, and one aviation squadron. A logistic support force headquarters has three combat service support battalions and three force support battalions. The Special Operations Command consists of a headquarters, one special-forces regiment, two commando battalions, and one incident response regiment. The Training Command has 3,160 personnel. The navy is organized into a Maritime Command, a Naval Systems Command, and a Commodore Flotilla and operates seven naval bases. The air force has an Air Command and a Training Command.

**Major Military Equipment:** The Australian army is equipped with 71 main battle tanks, 255 light armored vehicles, 364 armored personnel carriers, 270 towed artillery, 296 mortars, 651 recoilless launchers, 48 surface-to-air missiles, 5 aircraft, 293 helicopters, 15 marine vehicles,

and 21 surveillance vehicles. The navy is equipped with 6 tactical submarines, 10 frigates, 15 offshore patrol combatants, 6 mine warfare vessels, 3 amphibious vessels, and 13 support ships. Naval aviation has 16 helicopters. The air force has 152 combat aircraft, including maritime reconnaissance aircraft, but no armed helicopters.

**Military Service:** Male and female Australians may volunteer for military service beginning at age 16. Australia ended military conscription in December 1972.

**Paramilitary Forces:** In May 2003, the Australian Defence Force established a Special Operations Command to respond to domestic and foreign terrorist threats. It is responsible for commanding two Tactical Assault Groups (East and West), the Incident Response Regiment, and related paramilitary units.

**Military Forces Abroad:** In 2003–4 Australia deployed about 1,100 military personnel in various overseas operations, including the following: Operation Catalyst (rehabilitation of Iraq), Operation Slipper (Persian Gulf security), Operation Spire (United Nations Mission in East Timor—UNMISSET), Operation Anode (rule of law in Solomon Islands), Operation Bel Isi II (United Nations monitoring of the cease-fire in Bougainville, the largest Solomon Island), Operations Relex II and Cranberry (interdiction of unauthorized arrivals by sea along the northern approaches to Australia), Operation Iran Assist (humanitarian relief to victims of the earthquake in Bam, Iran), Operation Niue Assist (disaster relief to the Pacific island of Niue after Cyclone Heta), Operation Nauru (disposal of World War II-era unexploded ordnance), and Operation Vanuatu Assist (disaster relief to the South West Pacific islands of Vanuatu after Cyclone Ivy).

**Police:** Australian police organizations are subject to civilian control. The Federal Justice Ministry is responsible for supervising the Australian Federal Police, while state police ministers oversee state police forces. Human rights abuses by the police are alleged only occasionally, according to the U.S. Department of State.

**Internal Threat:** Australia faces the threat of a domestic strike by transnational terrorists against innocent civilians, as has occurred in New York, Madrid, and London. In October 2003, Australia deported Willie Virgile Brigitte, a Frenchman, to France for allegedly plotting to destroy the Lucas Heights nuclear reactor in Sydney on behalf of al Qaeda.

**Terrorism:** Following al Qaeda's attack on the United States on September 11, 2001, Australia did more than offer expressions of solidarity. Rather, Australia invoked the Australia-New Zealand-United States (ANZUS) Security Treaty and dispatched troops to Afghanistan to fight alongside U.S. forces. In addition, Australia has been instrumental in organizing regional counterterrorism initiatives through joint declarations of cooperation with Association of Southeast Asian Nations (ASEAN) members. These declarations are the public dimension of close military and intelligence cooperation in the struggle against regional al Qaeda offshoots, such as the Southeast Asian terrorist organization Jemaah Islamiyah (Community of Islam). Australian Prime Minister John Howard has been characterized as the United States' "deputy sheriff" in the region. Australia also has been the direct victim of terrorism. On October 12, 2002, Jemaah Islamiyah killed 88 Australians and 114 others when it destroyed a nightclub on

the Indonesian island of Bali. On September 9, 2004, the same group exploded a car bomb outside the Australian embassy in Jakarta, killing nine and injuring 182; none of the casualties was Australian. Media reports as of August 1, 2005, indicated that Osama bin Laden funded the bombing as an act of revenge for Australia's participation in Operation Iraqi Freedom. The source of this information was one of the arrested plot leaders.

Australia is actively involved in the nonproliferation arena. The Australia Group, which was proposed by Australia and held its first meeting in June 1985, helps coordinate international efforts to control the proliferation of chemical and biological weapons.

**Human Rights:** The U.S. State Department has given Australia high marks for its respect for human rights. However, Human Rights Watch, a nongovernmental organization, has criticized Australia's strict policies on asylum. The government discourages refugees from many countries in the region from settling in Australia. For example, in the fall of 2001 Australia refused entry to 450 Afghani refugees who were stranded in the Indian Ocean. Instead, they were sent to detention camps or deported. Australia prefers to control its borders and offer citizenship to those most likely to make an economic contribution and maintain the country's values. Amnesty International also asserts that Australia's counterterrorism campaign has come at the expense of human rights. Amnesty International objects to the alleged detention and questioning of terrorist suspects without charges being filed. In 2000 the United Nations Human Rights Commission criticized Australia for its treatment of aborigines.