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SRG MEETING

U. S. Policy Toward Australia

(NSSM 204)

August 15, 1974



Mrs. Davis

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MEMORANDUM

NATIONAL SECURITY COUNCIL

ACTION

TOP SECRET

August 22, 1974

MEMORANDUM FOR: SECRETARY KISSINGER  
FROM: W. R. Smyser  
SUBJECT: Australian NSSM

DECLASSIFIED w/ portions exempted  
E.O. 13526 (as amended) SEC 3.3

MR # 11-016

NSC letter 1/15/14

By dal NARA Date 4/15/14

You have scheduled an SRG meeting for August 24, 1974 at 10:30 a. m. to discuss the Australian NSSM (NSSM 204), which was requested by your memo of July 4, 1974 (Tab D).

The purpose of this meeting is to discuss whether we should modify our policy toward Australia because of Canberra's continuing turn to the left and whether we should plan to shift some of our installations elsewhere. The meeting should lead to a NSDM on these matters.

The Issue

- What should be our basic approach to the Whitlam Government and to our alliance relationship with Australia?
- Should we continue our strategic defense installations in Australia?
- How should we handle several specific policy issues, such as (1) aspects of defense cooperation other than these strategic installations, (2) intelligence sharing, (3) divergences with Australia on Asian policy, and (4) bilateral economic relations?
- How do we interrelate our policies on these matters?



Background

Our close traditional friendship with Australia has been under pressure for several years because of Australia's desire for greater independence in foreign affairs and because of Prime Minister Whitlam's style.

The problems deepened two months ago when the Australian Labor Party (ALP) elected left-wing leader Dr. Cairns as its deputy party chief and

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thus, automatically, Deputy Prime Minister. Though Cairns' election turned on internal party matters, it suggested that the ALP and the Australian government were rapidly turning left. It also raised questions as to whether Whitlam, now under increased pressure from Cairns and the left wing, would press for the early removal of our strategic defense installations, and whether Cairns could be trusted with information on our sensitive installations in Australia and on the data we obtained from them. Whitlam himself had already earlier (on April 3) said that "there will be no extensions or prolongations" of the agreements covering our installations.

Reactions in Washington were mixed. DOD began to study when and where to relocate its installations. State felt this would only increase our frictions with Australia. Australian officials here, aware of DOD's studies, pleaded that we should not overreact.

The immediate threat to our installations has eased somewhat in the past month. Cairns has publicly said that he will not press for their early removal and has indicated that he does not now want clearance. Whitlam told Green that he would not ask for removal of any of our installations and that he would defend them against left-wing attacks. He added, however, that he wanted to increase Australia's role in operating the installations. Whitlam also said he would assume full responsibility for Cairns' preserving secrecy should he be given access. Ambassador Shaw has told you that Whitlam did not want to jeopardize the installations but that he wanted a greater Australian role.

We need to review our attitude toward Australia's greater independence and we need to review whether we want to keep our present installations in Australia and -- perhaps more important -- whether to locate any future installations there. The two matters are related. Presumably, if we are confident that Australia's independent course will not go too far, we would keep our installations. If not, we would move them. The former is more risky; the latter more costly.

The Washington mood has settled down somewhat, partly because the Australians have been trying to show that they do not want to get too far away from us. We understand DOD is less concerned than it was. State still believes that we are better off if we do not rock the boat in these



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tricky waters; it believes all will be well if we continue to act as though our basic relationship remains as before and do not assume the worst.

Our three main installations in Australia are Pine Gap, [REDACTED]

[REDACTED] Woomera, our only ground link with satellites that monitor Soviet and PRC missile launches and above-ground nuclear explosions; and Northwest Cape, a key communications link with ballistic missile submarines in the Indian Ocean and Western Pacific. Legally, Whitlam can give us one year's notice on Pine Gap in December 1975, on Woomera in 1978, and on Northwest Cape in 1988.

### Policy Problems

Our objective has been to relate our strategic installations to the context of our other policy problems regarding Australia: first, whether to adjust our basic approach to the alliance relationship; second, whether to change our policies on several other specific aspects of our relationship in order to bring them more into line with our policy as a whole and with our policy toward the strategic installations.

Essentially, we need to decide whether we stay on course with our policy and count on the Australian Government not to depart too much from our common relationship, whether to begin to back away, or whether to try to deepen the relationship so as to give Australia a greater stake in it.

### The Interdepartmental Paper

In general the paper is quite adequate. Its principal deficiency is that it only partially interrelates the policy options among the various policy issues considered. The paper does articulate an interdepartmental consensus on the nature of the policy problems we face, and on basic U.S. objectives toward Australia.

The policy options in the paper are:

-- As regards our strategic installations:

- That we seek the Whitlam Government's explicit agreement to continue the installations in Australia indefinitely.

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- That we seek the Whitlam Government's agreement to continue the Pine Gap installation until 1978, [redacted]
- That we not seek the Whitlam Government's explicit agreement to continue Pine Gap in Australia on the assumption that it will react negatively.

-- As regards our basic policy toward the alliance relationship and policies on specific issues:

- That we begin immediately to attenuate ties with Australia as a means of pressuring Whitlam to be more cooperative.
- That we apply no new pressures nor offer new inducements for the short term until Whitlam's intentions become clear.
- That we offer new inducements as a means of giving the Whitlam Government and Australia generally a greater stake in our reliance relationship.

Departmental Views

-- State: On the future of our strategic installations, the EA Bureau now inclines toward Option 2 [redacted] although it earlier had wanted to postpone the decision (Option 5). As regards policy towards the alliance relationship, State wants to wait until Whitlam's disposition is clearer before deciding to do anything different (Option 2).



-- Defense: Secretary Schlesinger, at least until recently, has taken a hard line in his basic disposition toward the Whitlam Government (Option 1). Deputy Secretary Clements disagrees with this approach. Defense's disposition on the strategic installations is not yet clear.

-- CIA: On the Pine Gap installation, CIA wants to postpone the decision (Option 5), apparently hoping there might be a chance of leaving it in Australia into the 1980s. CIA has no clear position on basic policy. On intelligence sharing, the Agency would leave this relationship unchanged (Option 1).

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-- Ambassador Green: On Pine Gap, Ambassador Green wants to seek Whitlam's agreement to continue the installation until 1978,

[Redacted]

Green would continue our other two strategic installations in Australia. At the same time, Green would expand our defense cooperation with Australia in order to accommodate such new needs as NPW visits, homeporting a destroyer escort, and the Omega global navigational system -- all of which would be facilitated, he believes, if we agree now to remove Pine Gap in 1978. On basic policy, Green would test Whitlam's recent shift somewhat further (basic policy Option 2), but would also begin selectively to offer new inducements, such as expanded defense cooperation, in order to increase Australia's perceived stake in the alliance (Option 3).

Our View

-- We agree with Ambassador Green's approach on our strategic installations and toward expanding defense cooperation with Australia.

-- As regards the approach to our basic alliance relationship, we would choose Option 2 (test and clarify Whitlam's intentions over the remainder of this year, making selective use of pressure on Whitlam if necessary), and would at the same time prepare to move to Option 3 (inducements to give Australians a greater stake in the relationship) if some recent signs of Whitlam's inclination toward a more cooperative relationship with us test out over the rest of this year.

Objectives at the SRG Meeting

-- Get an understanding on the nature of the problem and on the following basic U.S. objectives toward Australia:

- Preserve the ANZUS alliance.
- Maintain for as long as required our access to Australian sites for our defense and intelligence installations.
- Accelerate the development of alternatives.

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-- Get an understanding on how to link our basic approach to the alliance relationship with those objectives.

-- Within that context, get agreement on what we should do regarding Pine Gap and the other two strategic installations.

-- Deal with other subordinate policy issues if time permits.

Your talking points proceed in this way.

Attachments:

- Tab A - Talking Points
- Tab B - Analytical Summary of the Interdepartmental Paper
- Tab C - Interdepartmental Paper
- Tab D - NSSM

Concurrence:


Mr. Kennedy *JK*  
Mr. Ober *JO*  
Mr. Ellerman *ME/JO*



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NSC Letter 11/5/14

del NARA Date 4/15/14

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TALKING POINTS

Introduction

-- First, I want to compliment the EA/IG on this study. It is a comprehensive and systematic effort, and it has been produced under a tight deadline.

-- I would appreciate Bill Colby's briefing us on the ways in which the current situation in Australia impacts on our basic interests there. I am particularly interested in what he might have to say on any or all of the following:

- Your estimate of the recent apparent retreat in Whitlam's approach to our strategic installations in Australia. How far do you think this might extend to his approach to relations with the U. S. generally?
- Your estimate of where Whitlam is likely to go on foreign policy generally, particularly in light of the strengthened position of his Party's left-wing in the government.
- Your estimate of Cairns and his likely influence on Whitlam's foreign policy. To what extent is Cairns a doctrinaire leftist, an opportunistic politician, and a disciplined intellectual?
- Is Whitlam likely to last out his full three-year term? Is Cairns likely to challenge Whitlam for the Prime Minister's post during this time?

-- Is there general agreement on the basic U. S. objectives defined in the NSSM study:

- To preserve the alliance.
- To maintain for as long as required our access to Australian sites for our strategic installations.

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- To continue meaningful Australian participation in the Five Power Defense Arrangement for Malaysia-Singapore and in SEATO.
- To encourage Australia to play a constructive, stabilizing regional role, and to harmonize its Asian policies with ours.
- To protect U. S. investment in Australia, maintain a mutually beneficial trade, and assure access to Australian minerals.

Basic Policy Toward the Alliance and the Whitlam Government

-- The NSSM study contains three options for our basic policy toward Australia:

Option 1: Begin immediately to attenuate certain ties in the U. S.- Australian alliance relationship, on the assumption that this will induce Whitlam to reverse those elements of his foreign policy inimical to U. S. interests. (Such pressures could include some reduction in U. S.- Australian defense cooperation, reduction of the most sensitive intelligence shared with the GOA, reacting vigorously to GOA foreign policy initiatives that undercut our own, and increased restrictions on U. S.- Australian trade and capital flows.)

Option 2: For the immediate future -- and until Whitlam's intentions on U. S. defense installations, Asian policies, and U. S.- Australian economic relations are much clearer -- avoid major new pressures on [or the offer of new incentives toward] Whitlam and continue on a business-as-usual basis, while making clear the U. S. position when major differences are involved.

Option 3: Try to increase the stake that Australia perceives in maintaining its alliance relationship by undertaking U. S. initiatives designed to improve our working relationship with the GOA and our image with the Australian public. (Such inducements could include revitalizing the annual ANZUS



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Council meetings (by holding the meetings regularly, keeping representation at the Secretary of State level, and discussing a meaningful agenda); insisting on prior consultations on foreign policy initiatives; proposing a U. S.- Australian declaration of principles; and a Vice Presidential visit in 1975.)

-- As regards Option 1, is there agreement that we should not threaten the withdrawal of our strategic installations as a means of pressuring the Whitlam Government? (FYI: Secretary Schlesinger reportedly has suggested this in the past. END FYI.)

-- Does any one support Option 1, which would begin immediately to apply pressure across the board at selected points? I note that Option 2 would allow us to apply pressure reactively at selected points when necessary. (FYI: Secretary Schlesinger has earlier indicated this hard line approach as the only -- or at least certainly the most effective -- way to bring Whitlam around. It is not clear to what extent he may have backed off from this approach. Deputy Secretary Clements is not so inclined. END FYI.)

-- What are your views as regards Options 2 and 3? Does Option 3 carry a real risk of appearing to reward Whitlam if we were to begin to implement this option now? Or would it more likely, particularly if selectively, encourage Whitlam's recent more conservative tendencies?

Interaction of U. S. and Australian Policies in Asia

-- The options which the NSSM study defines are:


Option 1: React vigorously to Whitlam's verbal sallies and policy initiatives that undercut U. S. policy in Asia. (Complements basic policy Option 1.)

Option 2: To the extent possible, roll with Whitlam's verbal onslaughts and policy initiatives that do not strike at major U. S. interests, while trying to modify them when feasible and correcting the public record when necessary. (Complements basic policy Option 2.)

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Option 3: Try to redirect Whitlam's interests and energies on Asian policy into more constructive channels by attempting to draw Australia into active regional roles that harmonize with U.S. policy. (This would contemplate a follow-on study to develop concrete proposals in particular countries, particularly Indonesia, to broach with the GOA. (Complements basic policy Option 3.)

Option 4: Do not try to redirect Whitlam's interest and energies on Asian policy, but continue cooperation at the present level. (Complements basic policy Option 2.)

-- (Assuming that Option 1 under basic policy has not been chosen) Since we have not chosen Option 1 under basic policy, I assume we can exclude Option 1 listed above.

-- The choice of Option 2 in our basic policy toward Australia would seem to incline us toward Option 2 here. How far can we go in reacting to Whitlam's initiatives that seriously undercut our Asian policies before we risk adverse consequences for our strategic installations in Australia?

-- Would a choice of Option 2 not also leave open the door for proceeding with Option 3 if Whitlam indeed proves to be shifting to a more cooperative tack in his relations with us?

-- What, realistically, is the likelihood that we could draw the Whitlam Government into programs that would better complement our own in countries such as Indonesia?

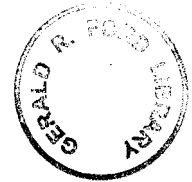
Strategic Installations

1. Pine Gap

-- The NSSM study sets out five options on Pine Gap:

Option 1: Approach the GOA now for an explicit agreement to continue the Pine Gap operation [redacted] However, even if the GOA agrees, begin contingency planning for emergency [redacted]

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relocation of at least a minimum capability in the event of Australian compromise and/or future expulsion. (Would cost [redacted] -- but this figure does not include contingency planning costs.)

Option 2: Attempt to obtain GOA agreement to extend the present arrangement until 1978, [redacted]

[redacted]

Option 3: Advise the Whitlam Government that at the conclusion of the existing ten-year agreement (December 1976) the

[redacted]

Option 4: Do not seek Australia's explicit agreement to continue the Pine Gap operation in Australia, [redacted]

[redacted]

Option 5: Observe and test the Whitlam Government's intentions for at least several months before approaching it on the future of the Pine Gap agreement. In the meantime, [redacted]

[redacted]

-- Options 4 and 5 seem to be only tactical variations on Options 1 and 2, respectively. Also, Option 5 implies that we should not decide at this point among Options 1, 2, and 3, and thus would require us to go back to the President later this year.

-- As regards Option 5, what additional needed information on Whitlam's intentions would we be likely to get in the next several



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months that would justify delaying a decision between Options 1, 2, and 3?

-- Does anyone favor Option 1, which would leave us, for the indefinite future, vulnerable both to a policy switch of an Australian government and to Australian compromise of the system -- [redacted]

Is this risk worth [redacted]

[redacted] and of our foregoing an expansion of defense cooperation with Australia (NPW visits, homeporting a destroyer escort, the Omega navigational system)?

-- Does anyone incline toward Option 4, which assumes that the risk of a future change in Australian policy is so remote that we need seek no explicit understanding on Pine Gap?

-- As between Options 2 and 3, what is the likelihood that Whitlam would agree to allow Pine Gap to stay until 1978? Could we get his government's agreement in a sufficiently binding form to survive over this period?

-- Would the risk of keeping Pine Gap in Australia until 1978 be greater or less [redacted]

-- Could we lower the political risk of keeping the Pine Gap operation in Australia until 1978 by making the operation more genuinely a joint U. S. - Australian venture, as Whitlam wants? How?

-- Would Option 2 earn us sufficient political advantage to allow us (a) to continue the other two strategic installations (Woomera and Northwest Cape) indefinitely, and (b) to expand our defense cooperation to include NPW visits, homeporting a destroyer escort, and emplacing the Omega navigational station?

2. Woomera and Northwest Cape

-- The NSSM study contains two options:

Option 1: Try to maintain Woomera and Northwest Cape by making them politically more palatable in Australia.



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Option 2: Plan to relocate these installations when or before they become liable to termination under the existing bilateral agreements.

-- If we chose either Option 2 or 3 on Pine Gap, would the choice of Option 1 on Woomera and Northwest Cape measurably improve the chances of retaining these facilities in Australia at least until 1978 and 1988 (the first dates on which the Australians could give one year's notice)?



Other Aspects of Defense Cooperation

-- The NSSM response contains four options:

Option 1: Leave the defense relationship basically unchanged. (Complements basic policy Option 2.)

Option 2: Gradually reduce the defense relationship, concentrating on maintaining those aspects which benefit us most. (Complements basic policy Option 1.)

Option 3: Drastically reduce the defense relationship. (Complements basic policy Option 1.)

Option 4: Intensify defense cooperation by trying to secure Australian agreement to proposals such as NPW visits, home-porting a destroyer escort, an Omega navigation station, and a U. S. Air Force satellite tracking camera station. (Complements basic policy Option 3.)

-- (Assuming Option 1 under the basic policy above is not chosen) If we do not choose Option 1 under basic policy, then we would exclude Options 2 and 3 listed above. Thus, we presumably would at least hold at our present level of defense cooperation with Australia (Option 1 above).

-- If we get the political dividends of Option 2 or 3 on Pine Gap, then might we consider exploring with the GOA some expansion of our defense cooperation with Australia (Option 4 above).

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U. S. - Australian Economic Relations

-- The NSSM study presents four options:

Option 1: Make no major change in present policies, but maximize our flexibility by treating economic issues individually, acting only when problems become especially serious or where initiatives will obviously pay dividends. (Complements basic policy Option 2.)

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Option 2: Increase U.S.- Australian governmental bilateral economic consultations, and help bring Australia more fully into multilateral consultations in order to assure Australia of a larger voice in global economic matters. (Complements basic policy Option 3.)

Option 3: In addition to Option 2, move toward the formation of a Pacific Basin economic consultative group that would include (in addition to Australia) New Zealand, Japan, Canada, and possibly Indonesia and the Philippines. (Complements basic policy Option 3.)

Option 4: Use economic leverage such as trade and capital flow restrictions to encourage Australia to adopt policies more favorable to the U.S., including a liberalization of foreign investment and trade restrictions and a rejection of resources diplomacy. (Complements basic policy Option 1.)

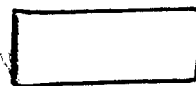
-- (Assuming basic policy Option 1 is not chosen) If we have not chosen basic policy Option 1, should we not exclude Option 4 here?

-- If we have settled on Option 2 for basic policy, should we not settle on Option 1 here?

-- If Whitlam in the next several months proves to have shifted back to a course of better cooperation with us, should we then move toward some of the closer economic consultative ties suggested in Option 2 here?

-- As regards the Pacific Basin consultative group proposed in Option 3, does this run counter to our general avoidance of regional economic groupings? What problems would this cause for us with those Asian states that would not be included? What congruence of economic interests exists between the several Pacific Basin states proposed that would provide a basis for a viable economic consultative organization?

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ANALYTICAL SUMMARY

I. Policy Problem

The interdepartmental paper gives the following estimate of our relationship with Australia as it affects our basic interests. From this analysis it deduces a list of U.S. objectives.

A. Estimate of the Situation

-- Whitlam's domestic political base. We should assume that Whitlam will last out his full three-year term, though new elections within this period are a clear possibility. Whitlam is not likely to be challenged for his post by left-wing leader Jim Cairns but Whitlam's policies are likely to shift perceptibly to the left under continuing pressure.

-- Whitlam's foreign policy in general. Whitlam will continue the basic alliance relationship with the U.S. At the same time, he will continue to try to carve out a unique Australian approach, to avoid anything that smacks of the Cold War or of super-power condominium, and to support Third World causes. Even if the conservatives were to return to power, however, Australian foreign policies would tend in these general directions, though the conservatives probably better mirror general Australian wishes for good ties with us.

-- Whitlam's attitude toward the basic ANZUS relationship. Whitlam can be expected to look upon ANZUS as the guarantee of Australia's ultimate security, but will give the alliance less room in the total space of Australia's foreign policy.

-- Whitlam's policy on U.S. strategic defense installations in Australia. Although Whitlam legally could in December 1975 give one year's notice on Pine Gap, he is unlikely to do so. Whitlam recognizes the unique contribution to global deterrence [redacted] Woomera. Most recently, Whitlam assured Ambassador Green that he did not intend to ask for the removal of any of these installations, although he wants to make them a more genuinely joint U.S. -Australian operation. He said that he would defend them against any attacks from the left wing.

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By del NARA, Date 4/15/14

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-- Whitlam's Asian policy. Whitlam will probably persist in shifting his emphasis away from regional security pacts toward economic and social development in the area. He is not likely to pull Australia out of the Five Power Defense Arrangement for Malaysia-Singapore (FPDA) although he may decide to pull Australia's two Mirage squadrons out of Malaysia. He might move for SEATO's dissolution, particularly if pressured by his left wing. He will probably continue to shift Australia's emphasis toward Indonesia and away from mainland Southeast Asia.

-- Australian economic policy. Whitlam will probably continue his relatively moderate foreign economic policies -- which have been the primary responsibility of Cairns. But he may put increasing restrictions on foreign exploitations of Australian natural resources, and he may also be tempted to engage in resources diplomacy.

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B. Resulting U. S. Objectives

General. Preserve the ANZUS alliance as a guarantee of Australia's ultimate security, as a means of continuing our access to Australia, and as a policy consultative framework.

Security. -- Maintain for as long as required our access to Australian sites for our defense installations.

-- Accelerate the development of alternatives to our strategic defense installations at Pine Gap, Woomera, and Northwest Cape.

-- Continue sharing sensitive intelligence with Australia, while keeping the risk of compromise acceptably low.

-- Encourage Australia to maintain an effective defense establishment that will enable it to play a regional stabilizing role.

-- Continue meaningful Australian participation in FPDA for at least the near term, as well as in SEATO.

Political. Encourage Australia to play a constructive stabilizing role in Asia, and to pursue policies that harmonize with rather than undercut our own.



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Economic. Create conditions under which Australia will continue to value a high level of U.S. investment and mutually beneficial trade relations, while assuring equitable international access to Australian mineral resources. Induce Australia to continue to play a responsible role in international economic institutions.

II. Policy Options

Policy options are addressed on two levels: (1) our basic policy toward U.S. -Australian alliance relationship, and (2) our policy in specific areas -- U.S. strategic defense installations in Australia, other forms of defense cooperation with Australia, intelligence sharing, interaction of U.S. -Australian policies in Asia, and economic policy.

A. Basic U.S. -Australian Alliance Relationship. We can depend on the Whitlam Government to continue the basic alliance relationship, but we cannot predict what he might do that would directly affect our basic objectives. It is useful, nevertheless, to keep in mind the Australian political context that will shape Whitlam's policies in this regard. That political context is ambivalent: Australians want a more uniquely Australian foreign policy but also want to maintain the basic political, economic, and security ties with the U.S. They feel more secure from communism in an era of detente, but they feel insecure as white inhabitants of a rich and empty sub-continent in poor and populated Asia.

The following three options for our basic alliance policies towards Australia differ in their underlying assumptions as to the forms of U.S. pressures or inducements toward the Whitlam Government that would most effectively induce it to be more cooperative towards us.

(A weakness of the interdepartmental paper is that it only partially interrelates these basic policy options with the options attendant to each of the specific policy problems subsequently taken up. We have attempted to do this both here in discussing the options for our basic relationship and subsequently in dealing with the options under specific policies.)

OPTION 1 -- Begin immediately to attenuate certain ties in the U.S. - Australian alliance relationship, on the assumption that this will induce Whitlam to reverse those elements of his foreign policy inimical to U.S. interests. Such pressures could include some reduction in U.S. -Australian defense cooperation, reduction of the most sensitive intelligence shared

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with the GOA, reduction in the intimacy of those official relations not highly important to the U.S., and a vigorous U.S. reaction to GOA foreign policy statements or initiatives that undercut our own policies. [On the economic side, pressures could include trade and capital flow restrictions that would be directed toward more liberalized policies in foreign investment and trade. We would not use our strategic installations to pressure Whitlam.]

PROS

-- Would make crystal-clear both in Australia and elsewhere U.S. dissatisfaction with Whitlam's foreign policy as well as our insistence on a reciprocal alliance relationship.

CONS

-- Such pressure would more likely undercut our GOA friends rather than modify Whitlam's policies, might provoke a general Australian nationalistic reaction, would play into the hands of ALP left-wingers, and could disrupt or risk efforts to resolve status of Pine Gap and other strategic installations.

OPTION 2 -- For the immediate future -- and until Whitlam's intentions on U.S. defense installations, Asian policies, and U.S. -Australian economic relations are much clearer -- avoid major new pressures on Whitlam and continue on a business-as-usual basis, while making clear the U.S. position when major differences are involved. [The underlying assumption is that new pressures would probably undercut important U.S. support within the GOA -- military leaders and ranking civil servants -- and these new incentives might seem to reward past Whitlam actions.]

PROS

-- Would allow time for Australian anxieties to induce some moderation or even reversal of recent trends in Whitlam's foreign policy.

-- Would maintain a reasonably favorable climate for discussing the future of U.S. strategic installations in Australia.

-- Would not rock the boat since we still get much of what we want in Australia despite the high noise level.

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-- Could be interpreted as more U.S. indifference toward Australia, which could demoralize our friends in Australia and bolster Australians who oppose us.

-- Would risk continued Australian drift in the absence of clear signs of our concern.

OPTION 3 -- Try to increase the stake that Australia perceives in maintaining its alliance relationship by undertaking U.S. initiatives designed to improve our working relationship with the GOA and our image with the Australian public. [The means suggested to increase the Australian perception of stake misstates the problem: we would not just try to polish our image, but to adjust the alliance relationship to convince Australians that it still has clear and immediate relevance for their national interests in this new period of detente.] Such inducements could include:

-- Revitalize the annual ANZUS Council meetings, by holding the meetings regularly, keeping representation at the Secretary of State level, and focusing on a meaningful agenda.

-- Regularize and make more meaningful our prior consultations with the GOA on major foreign policy issues.

-- Try to redirect Whitlam's Asian interests and energies into channels closer to our own policies.

-- Propose a declaration of principles to redefine the purpose of our alliance relationship.

-- Consider a Vice Presidential visit to Australia for 1975.


-- Intensify defense cooperation between our two countries.

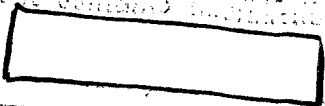
PROS

-- To the extent successful, this would increase constraints on Australian initiatives that might undercut U.S. interests.

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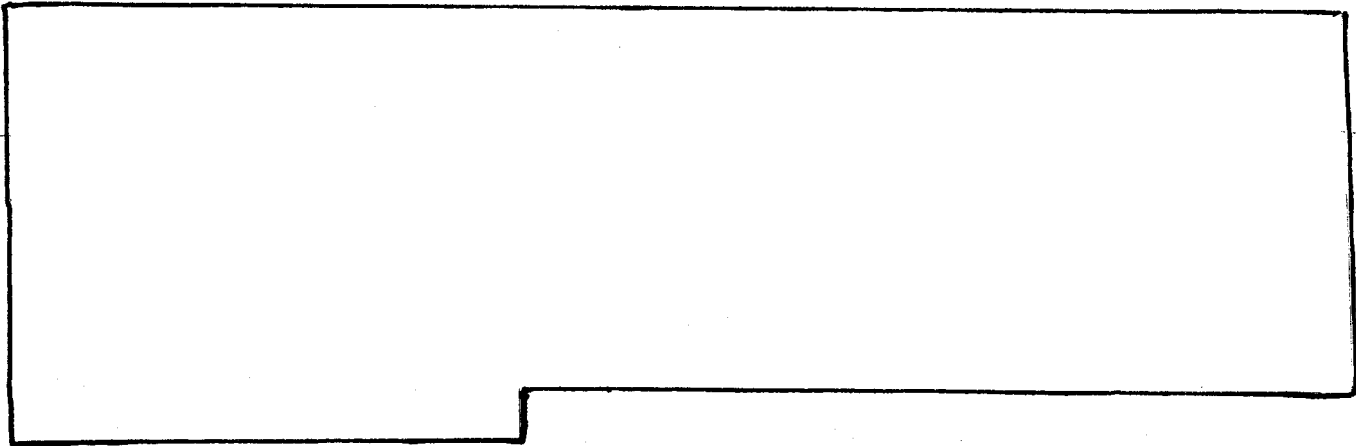
-- Would retain a favorable atmosphere for discussing the future of U.S. defense installations in Australia.

CONS

-- Might appear to reward Whitlam's recent foreign policy moves.

-- Might be resisted by Whitlam as a U.S. attempt to constrain new Australian foreign policy initiatives.

B. Specific Policy Issues in the U.S. -Australian Relationship



There are two threats to our continuing Pine Gap (and other strategic installations) in Australia:

-- That the Whitlam Government would not allow Pine Gap to continue in Australia. Legally, Canberra could give one year's notice on Pine Gap as early as December 1975. Politically, Whitlam has threatened the continuation of these installations though he has now pulled back and promised to support it.

-- [redacted] would be compromised by ALP left-wing government leaders such as Cairns, [redacted] domestic Australian pressures for removal. Whitlam has, however, assured Ambassador Green he is confident he can control Cairns in this regard.

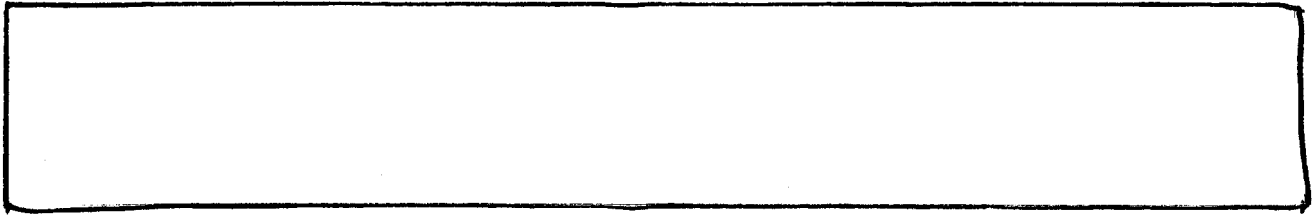


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OPTION 1 -- Approach the GOA now for an explicit agreement to continue the Pine Gap operation [redacted].  
[redacted] However, even if the GOA agrees, begin contingency planning for emergency relocation of at least a minimum capability in the event of Australian compromise and/or future expulsion.

PROS

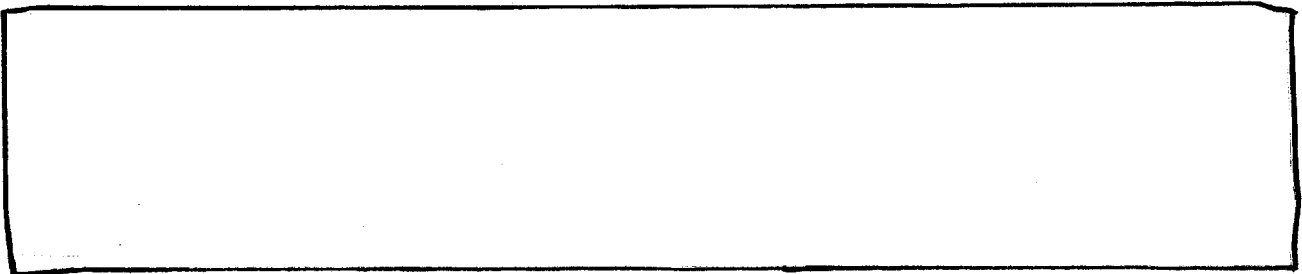
-- Would avoid risking the resentment and reduced cooperation of our supporters in the GOA and in Australia generally.

CONS

-- Would cost [redacted] (not including contingency planning costs).

-- Could prematurely force Whitlam's hand, since he may not be politically prepared to discuss any extension of the agreement.

-- Could stimulate left-wing initiatives against all U.S. strategic installations in Australia.



PROS

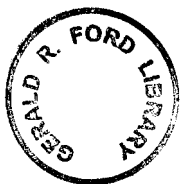
-- Would largely eliminate a potentially major issue in U.S. -Australian relations.

-- Would buy time for other U.S. defense facilities and relationships.

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-- Would eliminate the risk of Australian compromise [redacted]

[redacted]

CONS

[redacted]

-- Might be interpreted by our staunchest supporters in the GOA and Australia generally as a strong sign of reduced American interest in the ANZUS Alliance.

-- Might stimulate the ALP left wing to new efforts against other U.S. defense installations in Australia.

-- Would give up hope of keeping operations in Australia after 1978.

OPTION 3 -- Advise the Whitlam Government that at the conclusion of the existing ten-year agreement (December 1976) the Pine Gap operation

[redacted]

PROS

-- Would eliminate a potentially major friction in U.S. -Australian relations.

-- Would hopefully reduce left-wing pressures against other U.S. defense installations.

CONS

[redacted]

[redacted]

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-- Would appear to be a victory for the ALP left wing.

-- Could have a negative affect on the entire ANZUS relationship.

OPTION 4 -- Do not seek Australia's explicit agreement to continue the Pine Gap operation in Australia, [redacted]

[This is only a tactical variation on Option 1, the difference being that under Option 1 we would seek the GOA's explicit agreement to continue the Pine Gap operation beyond 1978.]

PROS

-- Would avoid having to deal with this contentious problem in U. S. - Australian relations for the present.

CONS

-- Involves an unacceptable operational risk since we have no assurance beyond 1976.

-- Would pose a high degree of operational [redacted] if the Whitlam government were suddenly to ask for its removal.

OPTION 5 -- Observe and test the Whitlam Government's intentions for at least several months before approaching it on the future of the Pine Gap agreement. [redacted]

[This is a tactical variation on Option 2. In light of Whitlam's recent greater receptivity toward Pine Gap and the other installations, it is questionable whether we need to continue testing his intentions before approaching him directly for an understanding on their future. This option would also require us to come back to the President in six months for a decision on whether to try to continue Pine Gap beyond 1978.]

PROS

-- Would give us a more adequate opportunity to size up Whitlam's intentions and to decide on the tactics of an approach on Pine Gap.

-- Would avoid many of the risks of the other options.

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CONS

-- Could lose several months for planning purposes.

2. Woomera and Northwest Cape Strategic Defense Installations. Woomera (in central Australia) is our only ground link with early warning satellites that can detect Soviet or PRC missile launches and above-ground atmospheric nuclear explosions. Together with Northwest Cape, it represents an investment of \$265 million. We could relocate it in about two years' time; the cost would be at least \$20 million. Guam would be the most likely alternative site, but would be vulnerable to hostile electronic interference. Under our bilateral agreement with Australia, Canberra could not give one year's notice on this installation until 1978.

Northwest Cape (on the Northwest coast of Australia) is a key command control communications relay station for U. S. ballistic missile submarines in the western Pacific and Indian Ocean, as well as in the South China Sea. It also provides backup communication for our surface naval vessels in the Indian Ocean and for private USG and GOA facilities. Relocation would take at least three years, would cost approximately \$250 million, and would require an extensive land area. Our bilateral agreement with Australia on this installation would not permit Canberra to give one year's notice until 1988.

Prime Minister Whitlam recently told Ambassador Green that he would not have agreed to Northwest Cape had he been Prime Minister at the time but that he would not abrogate the agreement. Whitlam's objection apparently is based on the fact that Northwest Cape is part of an offensive weapons system. Within the past year, we have agreed with Canberra on ways to make Northwest Cape more of a genuinely U. S. -Australian joint operation, and Whitlam wants to do the same with Woomera -- as well as Pine Gap.

The policy issue on these two installations is how to relate them to the Pine Gap issue and to other aspects of our defense cooperation with Australia, to our basic policy toward the U. S. -Australian alliance, and whether or not to plan on long-term relocation of either or both installations to U. S. territory.



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OPTION 1 -- Try to maintain Woomera and Northwest Cape by making them politically more palatable in Australia. These actions could include full cooperation with Australia in making installations more of a genuinely joint U.S. -Australian responsibility, and withholding requests for additional U.S. defense facilities in Australia, such as homeporting and NPW visits if this would be politically useful to the GOA.

PROS

-- A more genuinely U.S. -Australian joint operation should help Whitlam contain left-wing criticism for at least the near-term.

CONS

-- Would require a major U.S. effort to persuade Whitlam to retain all three strategic installations. [This judgment does not seem to take account of Whitlam's recent change of view.]

OPTION 2 -- Plan to relocate these installations when or before they become liable to termination under the existing bilateral agreements.

PROS

-- Could buy time for Pine Gap.

-- Might provide sufficient time for technological development to obviate the need for these installations in Australia.

CONS

-- Would be very expensive.

-- Might appear as a left-wing victory.

3. Other Aspects of U.S. -Australian Defense Cooperation. The U.S. -Australian defense relationship also includes several other defense installations and a broad spectrum of activities, and we have hopes of expanding this cooperation.

-- Existing facilities have included two atomic energy detection stations, which have helped monitor the Limited Test Ban Treaty. One of these has



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just been turned over to Australia, and we are proceeding with the transfer of the second. Existing U. S. -Australian activities include joint military exercises (which give us maneuver areas in Australia at a time when we are contracting them elsewhere in Asia), Indian Ocean reconnaissance flights out of the Australian-controlled Cocos Islands, exchanges of U. S. -Australian military personnel, defense research and development, collective mapping data for our ICBM and SLBM systems, sales of military goods to Australia of \$300-\$500 million in the next few years, and cooperation in the tracking and command of earth satellites and deep space probes.

-- Planned additional facilities in Australia include homeporting a destroyer escort, an Omega navigation station (part of an unclassified global system for surface vessels), a U. S. Air Force satellite tracking camera station, and NPW port visits. The issue here -- apart from the intrinsic value of the defense activities -- is how these additional aspects of U. S. -Australia defense cooperation could be supportive of what we want on strategic defense installations, and how they would relate to our basic policy on the U. S. -Australian alliance as well as to U. S. -Australian regional cooperation. Whatever general policy guideline is adopted, we presumably would be selective in our choice and timing of particular activities.

The interdepartmental paper lays out four general options:

1. Intensifying defense cooperation by trying to secure some or all of the additional facilities mentioned above. (Would complement basic policy Option 3.)
2. Leaving the defense relationship basically unchanged. (Would complement basic policy Option 2.)
3. Gradually reducing the defense relationship, concentrating on maintaining those aspects which benefit us most. (Would complement basic policy Option 1 -- increasing pressures on GOA.)
4. Drastically reducing the defense relationship. (Would complement basic policy Option 1.)

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PROS and CONS

-- Intensifying defense cooperation, if delayed until the Pine Gap issue is resolved, could complement our agreement to relocate [redacted] [redacted] by a certain date.

-- Intensifying defense cooperation would risk some increased left-wing criticism.

-- Attenuating these other aspects of defense cooperation would undercut our friends in the Australian military and civil service, and would be interpreted as lowered U.S. interest in our alliance.

-- Attenuating defense cooperation would reduce left-wing criticism, but could risk the appearance of a left-wing victory.

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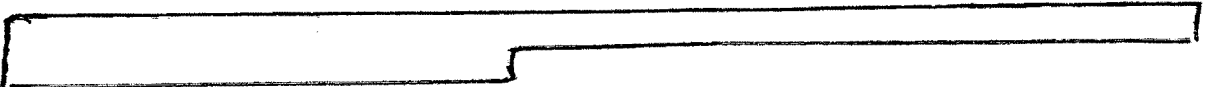
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5. Interaction of U.S. and Australian policies in Asia. The inter-departmental paper takes a more sanguine view of Whitlam's Asian policy than we would. It stresses what is still left that supports our own approach -- that he is still giving some economic (though no military) assistance to Indochina, that he has not yet withdrawn from SEATO, that he has resisted Cairns' desire to recognize the PRG -- rather than the extent to which he has veered away from the policies of the conservative predecessor government.

The paper defines the principal tenets of Whitlam's Asian policies as:

-- Reducing the emphasis on security (most clearly SEATO and FPDA), while laying greater stress on economic and social development.

-- Limitation of great power competition in Southeast Asia and the Indian Ocean (and the neutrality of these two areas).

-- Recognition of Asian Communist states.

-- Completing the break with past Australian policies in Indochina.

The most likely points of divergence and convergence between U.S. and Australian policies are:

-- Divergence on Indochina and the neutralization of the Indian Ocean.

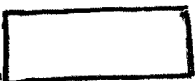
-- Concordance on the importance of and a general approach to Indonesia.

-- Probably no substantial divergence on normalization of relations with the PRC, or in relations with Japan. We expect no new frictions in the near term on SEATO and FPDA, unless the left wing presses for early Australian withdrawal from these pacts.


OPTION 1 -- React vigorously to Whitlam's verbal sallies and policy initiatives that undercut U.S. policy in Asia. This could include forceful rebuttals, temporary cold-shouldering, and reduction of U.S. cooperation on the policies concerned. (Complements basic policy Option 1.)

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PROS and CONS. Would impose some additional constraints on Whitlam's tendency to shoot from the hip, and would leave no doubt for others in Asia as to the direction of U.S. policies. However, would probably not constrain Cairns and the ALP left wing, and would risk exciting a general Australian nationalistic reaction.

OPTION 2 -- To the extent possible, roll with Whitlam's verbal onslaughts and policy initiatives that do not strike at major U.S. interests, while trying to modify them when feasible and correcting the public record when necessary. (Complements basic policy Option 2.)

PROS and CONS. Would give elbow room for Australian assertiveness in foreign policy, and would reduce the risk of a general Australian nationalistic reaction. However, would discourage conservative and moderate Australians from bringing pressure to bear on Whitlam.

OPTION 3 -- Try to redirect Whitlam's interests and energies on Asian policy into more constructive channels by attempting to draw Australia into active regional roles that harmonize with U.S. policy. This would contemplate a follow-on comprehensive review of selected Asian countries to develop specific approaches to broach with the Whitlam Government. (Complements basic policy Option 3.)

PROS and CONS. To the extent successful, would reduce Whitlam's proclivity for actions which intentionally or otherwise undercut U.S. policies, and would demonstrate a constructive U.S. interest in Australia. However, would be delayed in its effect, and might be taken as a U.S. attempt to restrict Australian foreign policy independence.

OPTION 4 -- Do not try to redirect Whitlam's interest and energies on Asian policy, but continue cooperation at the present level. (Complements basic policy Option 2.)

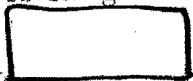
PROS and CONS. Would avoid a possible appearance of trying to manipulate Australian policy or of trying to placate Whitlam, but would lose a potential opportunity to head off increasing divergence between U.S. and Australian policies in Asia.

6. U.S. -Australian Economic Relations. Both countries have a sizeable stake in this economic relationship. The United States has a total private investment of about \$5 billion in Australia, which is larger



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than the U. S. private investment in all other East Asian countries put together, and which places U. S. private investment in Australia only <sup>that in</sup> after/Canada, the UK and West Germany in importance. Australia looks to the U. S. as its second largest export market (after Japan); the total two-way trade was \$2.5 billion in 1973, with a surplus of \$378 million in the U. S. favor. In addition, Australia has become an increasingly important source of minerals for the U. S. as well as for other nations in the past decade; we now obtain about 57 percent of our alumina, 21 percent of our lead, 53 percent of our rare earths, and 10 percent of our zinc from Australia. The importance of Australia's minerals to the world market is tempting some Australians to think in the direction of resources diplomacy. Lastly, Australia plays an important role in the World Bank, the IMF, the OECD and many specialized international economic and financial institutions.

OPTION 1 -- Make no major change in present policies but maximize our flexibility by treating economic issues individually, acting only when problems become especially serious or where initiatives will obviously pay dividends. (Complements basic policy Option 2.)

PROS and CONS. Would avoid a possible appearance of discriminating against Australia, or of interfering in Australian domestic economic matters. However, would leave U. S. businessmen in Australia as uncertain as ever about the direction of GOA policy.

OPTION 2 -- Increase U. S. -Australian governmental bilateral economic consultations and help bring Australia more fully into multilateral consultations in order to assure Australia of a larger voice in global economic matters. (Would complement basic policy Option 3.)

PROS and CONS. Could help encourage Australia's sense of responsibility as a global supplier, and would satisfy Australian nationalistic desires to be viewed as a major economic power. However, could stimulate pressures from other nations for similar U. S. treatment.

OPTION 3 -- In addition to Option 2, move toward the formation of a Pacific Basin economic consultative group that would include (in addition to Australia) New Zealand, Japan, Canada, and possibly Indonesia and the Philippines. (Would complement basic policy Option 3.)



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PROS and CONS. Would institutionalize already existing Pacific Basin trading links, especially the trilateral U. S. -Australia-Japan relationship. However, might be regarded by Asian countries not included as discriminatory, and hence might not attract Japan to participate.

OPTION 4 -- Use economic leverage such as trade and capital flow restrictions to encourage Australia to adopt policies more favorable to the U. S., including a liberalization of foreign investment and trade restrictions and a rejection of resources diplomacy. (Would complement basic policy Option 1.)

PROS and CONS. Would gain the eager support of U. S. business community. However, would conflict with U. S. global economic policy, would probably stimulate Australian retaliation, and would undercut U. S. supporters in the GOA and might stifle Australian trends towards moderation.



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CREATOR'S TITLE . . . . . Acting Chairman, Interdepartmental  
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RECEIVER'S NAME . . . . . Henry A. Kissinger

RECEIVER'S TITLE . . . . . Assistant to the President for National  
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DEPARTMENT OF STATE

Washington, D.C. 20520

August 5, 1974

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To: Dr. Henry A. Kissinger  
Assistant to the President for  
National Security Affairs

From: Arthur W. Hummel, Jr. *AH*  
Acting Chairman, Interdepartmental Group  
for East Asian and Pacific Affairs

Review of U.S. Policy Toward Australia

In response to NSSM 204 of July 1, 1974, I attach a review of U.S. policy toward Australia in light of recent developments there.

The study reflects agreement by the following agencies represented in the NSC Interdepartmental Group for East Asian and Pacific Affairs: State, Defense, Joint Chiefs of Staff, CIA, NSA, and DIA. An NSC representative also participated in the preparation of the report.

Annexes D and E are being transmitted to you through a separate channel due to their treatment of sensitive intelligence matters.

Attachment:

Review of U.S. Policy  
toward Australia

DECLASSIFIED w/ portions exempted  
E.O. 13526 (as amended) SEC 3.3

NR 8 11-016

NSC Central 1/15/14

By dal NARA Date 4/15/14

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August, 1974

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OUTLINE FOR NSSM 204

U.S. POLICY TOWARD AUSTRALIA

- I. U.S. INTERESTS, THE POLICY SITUATION AND U.S. OBJECTIVES
  - A. U.S. INTERESTS
  - B. PROSPECTS FOR U.S.- AUSTRALIAN RELATIONSHIPS AS THEY IMPINGE ON U.S. INTERESTS
  - C. RESULTING U.S. OBJECTIVES IN AUSTRALIA
  
- II. POLICY ISSUES AND OPTIONS
  - A. THE PRESENT AUSTRALIAN - AMERICAN RELATIONSHIP
    - 1. Introduction
    - 2. Graphic Summary of Relationships and Benefits
    - 3. Map of Australia Showing U.S. Installations
  - B. THE POLICY OPTIONS
    - 1. Introduction
    - 2. Options for the Basic U.S.- Australian Alliance Relationship
    - 3. Options on Specific Issues
      - a. U.S. Options on the Installation at Pine Gap
      - b. Options on Other Major U.S. Installations in Australia
      - c. Alternative Policies on the General Australian - U.S. Defense Relationship

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del NARA Date 4/15/14

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- d. Alternative Policies on Intelligence Exchanges
- e. Interaction of U.S. and Australian Policies in Asia
- f. Alternative U.S. Policies in the Economic Sector

ANNEXES:

- A. Political Situation and Prospects
- B. Economic Situation
- C. Intelligence Relationships
- D. NSA Activities (distributed separately)
- E. Pine Gap (distributed separately)
- F. The General Defense Relationships

Sub-Annexes:

- I - U.S. Military Facilities in Australia
  - II - Military Exercises with GOA
  - III - U.S. Service-to-Service Relationships
  - IV - Foreign Military Sales
  - V - Defense Advanced Research Projects Agency (ARPA)
  - VI - Defense Mapping Agency
  - VII - List of U.S.- Australian Operating Rights and Facilities Agreements
- G. NASA Activities



August, 1974

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NSSM - 204

US POLICY TOWARD AUSTRALIA

I. US INTERESTS, THE POLICY SITUATION AND US OBJECTIVES

A. US INTERESTS

The United States has many important assets in Australia:

- Australia is an element of strength and stability in the East Asian region; similarities in our social and political systems have encouraged a tradition of unexcelled mutual confidence and cooperation.

- To an extent unique in the area, Australia's armed forces are integrated with US defense arrangements; Australia is the site of important US defense installations, and collaborates with us in key intelligence activities.

- Australia ranks fourth of all countries in the amount of US investment.

- It is an important supplier of raw materials to the US and to countries whose economic health is very important to the US, and is a major US market.

In addition to maintaining these assets, the US has other important long-term interests with respect to Australia. We would hope to assure:

- A constructive Australian role as a significant regional power in Southeast Asia and the South Pacific, with Australia providing developmental assistance proportionate to her economic power.

- Australian foreign policies that harmonize with those of the US, most importantly in Asia.

- Australian non-nuclear military capability to carry the main burden of its defense, and to contribute to regional security arrangements.

- A mutually beneficial US-Australian economic relationship, including relatively free US access to Australia for trade and investment.

- Australian policies on international trade and monetary affairs that harmonize with those of the US.



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- A basic US relationship with Australia that will facilitate the pursuit of the above interests.

B. PROSPECTS FOR US-AUSTRALIAN RELATIONS AS THEY IMPINGE ON US INTERESTS

In the wake of the May elections in Australia, PM Whitlam's Labor Party seems to have moved perceptibly to the left, with pro-Whitlam moderates losing rank within the Party to members of the left-wing. For the US, this requires an effort to re-evaluate the implications for our interests and to examine the options we now face.

- Whitlam's domestic political base. The Australian Labor Party (ALP) was returned to power by only a five-seat margin in the May 1974 elections, and did not gain control of the Senate. There remains a clear possibility that a general election will again be forced within the next three years. Given an opportunity to charge that the government has badly mishandled some major issue (more likely a domestic than a foreign policy one), the opposition might be able to line up the independents, who hold the balance in the Senate, and force new elections. Nevertheless, the US must in prudence operate on the assumption that the Whitlam Government will last out its full term, until the spring of 1977.

In the next three years, Whitlam is not likely to be seriously challenged by the left-wing of the ALP, even with the leader of that group, Dr. Jim Cairns, now elevated to Deputy Prime Minister. Given the strengthened position of ALP left-wingers, however, Whitlam will be forced to accommodate them more on policy issues than in the past. (A fuller discussion of the political situation and prospects appears in Annex A.)

- Foreign policy. Although the present government of Australia (GOA) will almost certainly retain the basic alliance relationship with the US, its foreign policy is likely to be distinguished by efforts to carve out a unique "Australian approach" to foreign affairs, by an aversion to anything that smacks of the cold war or super-power condominium and by a desire to associate with the causes of the world's under-privileged. Even if the conservative Opposition were to return to power, the new GOA would likely continue in this direction, although it would probably ease pressures on US defense installations and might not pursue Third World causes as avidly.



Substantively, Whitlam's foreign policy objectives will probably include closer ties with Asian states (including Communist regimes), a zone of peace in the Indian Ocean, closer relations with the Third World, and a looser relationship with the US. The fissiparous elements of the alliance relationship will gain more publicity than the common basic purposes, especially since Whitlam and other ALP leaders can be expected to speak out publicly and bluntly when they disagree with US policies. However, the Australian pursuit of divergent policies may in actual fact be less a problem than the public image of dissension created.

- Australia and ANZUS. Whitlam can be expected to continue his policy of maintaining ANZUS as the guarantee of Australia's ultimate security -- which he and most Australians apparently now do not see threatened -- while giving the alliance less room in the total space of Australia's foreign policy. The ALP left-wing can be expected to press for attenuation of the alliance ties, particularly as regards US defense-related installations and Asian policy. Whitlam will be constrained in accommodating such left-wing pressures by the high value that almost all Australians attach to the basic US-Australian relationship -- as does he personally. He realizes, as well, that policy departures that threaten the basic viability of the alliance could be seized on by the Opposition to force another general election.

- US defense-related installations. The Whitlam Government could exercise its right to give us in December 1975 the stipulated one-year notice to terminate our bilateral agreement for the important installation we maintain at Pine Gap (near Alice Springs). Unless it unilaterally abrogates its agreements, the Australian Government cannot terminate the other important installations -- Woomera and North West Cape -- until 1979 and 1988, respectively. Whitlam has long been making public statements suggesting he would prefer the facilities removed. In Parliament on April 3, 1974, he said that "there will not be extensions or prolongations" of the agreements covering the existing installations. Leftists in the ALP will try to hold Whitlam to this statement. Under these circumstances, we have not pressed for a GOA decision on several new facilities we would like in Australia.

The GOA is restrained from any action against our existing facilities not only by domestic opinion and our





bilateral agreements but also by recognition that the installations contribute to global deterrence and arms control. In private, Whitlam has been understanding on this issue. As recently as July 21, 1974, Whitlam assured our Ambassador that he fully recognized the vital importance to the US of these facilities and the role they play in facilitating detente. This, he said, was of great importance to all countries, Australia included. He gave our Ambassador to understand that he had no thought or intention of asking now or later for the removal of either Pine Gap or Woomera. He was interested, however, in assuring joint responsibility to a degree he suggested does not currently exist.

- Australian concepts of regionalism. The Whitlam Government will probably persist in shifting emphasis from, although not pulling out of, regional security pacts such as SEATO and FPDA and moving toward regional arrangements focused on economic and social development. This will reflect desires to move closer to Australia's Southeast Asian neighbors as well as Whitlam's own strong Fabian Socialist and moderately pacifistic tendencies. This shift will likely be accelerated by new pressures from the ALP left-wing. Given this, it is difficult to predict whether Whitlam will change his present intention to leave two GOA Mirage squadrons in Malaysia under the FPDA, and to refrain from pressing for SEATO's dissolution even though its military profile has been lowered.

The GOA will likely continue to emphasize a primary interest in Indonesia and to continue a substantial economic and military assistance program there, although it will be constrained in the amount of its aid by priority demands in Papua New Guinea, which is to gain independence from Australia some time next year. Whitlam will probably refrain, at least for the near future, from further efforts to assume a position of political leadership in Asia, given the rebuffs that Asian leaders gave his earlier attempts.

- Australian economic policy. Prospects are for Whitlam's economic policies to continue in a relatively moderate vein, with the principal potential friction point being efforts to limit foreign exploitation of Australian resources. New ALP left-wing pressures will probably not be a factor here, since even Cairns as Overseas Trade Minister has been taking a pragmatic



approach in this area. However, temptations to play "resource diplomacy," thus far contained, would grow if economic conditions deteriorate seriously.

C. RESULTING US OBJECTIVES IN OUR RELATIONS WITH AUSTRALIA

1. General

- Preserve the ANZUS alliance -- as a guarantee of Australia's ultimate security, as a means of continuing our access to Australia, and as a policy consultative framework.

2. Security

- Maintain for as long as required US access to Australian sites for defense-related US installations, but with careful regard for those political pressures that may require their eventual removal, ensuring enough time for orderly relocation without degrading capabilities.

- Accelerate the development of alternatives for the US installations now at Pine Gap (near Alice Springs) at Woomera and at North West Cape, giving priority to the Pine Gap arrangements.

- Continue cooperation between the US and Australian military establishments.

- Continue meaningful Australian participation in FPDA for at least the near term, as well as in SEATO.

- Induce the Australians to maintain an appropriate degree of military preparedness and the ability to play a security role in promoting the stability of their region (particularly in respect to Indonesia, Timor and soon-to-be-independent Papua New Guinea).

- Maintain a productive intelligence relationship, while keeping the risk of compromise acceptably low.

3. Political

- Induce Australia to play a stabilizing role, as a significant regional power.



- Encourage Australian foreign policies that harmonize with, rather than undercut, those of the US -- particularly in Southeast Asia, Northeast Asia (Japan and the PRC), the Pacific Islands, the Indian Ocean, international organizations and meetings and Australian activities with respect to Third World causes.

4. Economic

- Create conditions under which the GOA will continue to value a high level of US investment and mutually beneficial trade relations.

- Induce Australia to continue to play a responsible role in international economic institutions.

- Assure equitable international access to Australian mineral resources.



II. POLICY ISSUES AND OPTIONS

A. THE PRESENT AUSTRALIAN-AMERICAN RELATIONSHIP

1. Introduction

We have exceedingly close cultural, social and economic ties with the Australian people. Our relationships with the Australian Government are about as broad-ranging as relations can be between any two governments. It is a relationship that runs deeper than any other we have had in the Asia region. The relative advantages to the US and to the GOA vary sharply from area to area of the relationship, but both countries benefit greatly from the relationship. A graphic summary of principal relations and their benefits follows.

Historically, Australia has been one of our most intimate allies, fighting at our side in two World Wars, in Korea and in Viet-Nam. We are tied by the ANZUS treaty, a mutual defense pact signed in 1951 and which includes also New Zealand. The "ANZUS relationship" provides the US with a fundamental basis for maintaining a US presence in the area, specifically for the defense-related facilities that we have on the Australian continent. A map of those installations, and others maintained by NASA, appears on page 11.



2. Graphic Summary of Relationships and Benefits

<u>Type of Relationship</u>	<u>Importance of Benefit</u>	
	<u>To US</u>	<u>To GOA*</u>
<u>A. Political</u>		
General, long-term relationship	high, because of the long term implications for stability in the Asian region	very high, given Australian fears of being isolated in Asia
ANZUS	rather high, as a factor in our general Asian presence	very high; however, perceived as less important in an era of detente
Australian SEATO participation	medium, early Australian departure could weaken support for SEATO generally	medium-low (purely military aspects--low)
US-GOA cooperation: in UN, etc.	medium-high, since Australia influential	medium
in Asia generally	high; would be most valuable if could be resumed in Indochina	medium; chary of association with US in Indochina area
in Indonesia and Papua New Guinea	medium-high, since Australia is very influential in the area	high, since Australian security closely involved
<u>B. Economic</u>		
Bilateral trade	high; 1/3 of billion \$ favorable balance for US in 1973	very high: US is Australia's second largest market
US investment	exceedingly high; over \$5 billion since 1948	very high, since US investment plays a role in development
Regional economic cooperation	high; supplements US programs and objectives	medium-high
GOA cooperation with US in Bank, Fund, etc.	high, since Australia is quite influential with many third countries	medium, Australia has alternatives to working closely with US

\*As we feel GOA interests are perceived by Whitlam, his ministers concerned, and the top levels of the GOA bureaucracy (civilian and military).



<u>B. Economic con't.</u>	<u>To US</u>	<u>To GOA</u>
Easy access to Aus. minerals	very high, including Japanese access (for stability of the region)	poorly defines; some fear that advantage being taken of Australia
Easy access to Aus. agric. products	high; but we could probably find other sources for most products	very high; meat, sugar, etc. producers need US markets
 <u>C. Defense</u>		
Pine Gap: Joint Def. Space Research Facility	exceedingly high	high
Woomera: Joint Def. Space Research Station	very high	high
North West Cape: Naval Comm. Stat.	exceedingly high, coverage of Indian Ocean	medium, now being used by GOA as well
AEDS Station, Alice Springs	high	medium
Military Exercises	high, since the number of alternative exercise areas is currently decreased	very high, for value of training
Personnel Exchange Relationships	low	very high; certain training is available only in US
Units Exchange Training (Army)	medium	high
Service Staff Communications	medium-high	very high
Advanced Research Projects (ARPA)	medium-high	high
Exchange of Military Technology (service to service)	medium only; Australian learn more by the exchange	very high; unique information involved
TRANET Doppler Tracking Station	medium	low



C. Defense con't.

To US

To GOA

Military Sales	medium; considerable foreign exchange earned	medium-high; some equipment not easily available elsewhere
Port visits	medium; would be high if NPW visits allowed	medium
US access to Cocos Islands, etc.	medium-high under present Indian Ocean situation	low; some domestic political risk involved

D. Intelligence

[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

NSA programs	[redacted]	[redacted]
DIA exchange	medium; small volume but some unique	very high; larger volume from US to GOA
State/INR exchanges	low	medium

E. Other Relationships

US Space and Research Programs in Australia	very high, locations hard to duplicate	medium
Exchange of Scientific information	low; small volume from GOA	high; much unique information gained
Cultural (Coral Sea celebration, exchanges, etc.)	medium-low; good-will primarily	medium-high; domestic political implications



3. Map of Australia Showing US InstallationsLEGEND

1. Atomic Energy Detection System (AEDS) Station, Alice Springs
  2. Joint Defense Space Research Facility, Pine Gap
  3. Atomic Energy Detection System (AEDS) Station, Amberley\*
  4. US Naval Communications Station, Northwest Cape
  5. Joint Defense Space Communications Station, Woomera
  6. Canberra: CINCPAC Representative/USAF Liaison Office, US State Sending Office, Defense Attache Office, FMS Office, DOD Procurement Information Office, US Standardization Group, and Defense Advanced Research Projects Office
  7. Detachment, USAF Military Airlift Support Wing, Richmond
- A. NASA Tracking Station, Carnarvon
  - B. NASA, Canberra area: Honeysuckle Creek Tracking Station, Orrorall Valley Tracking Station and Baker-Nunn Camera Station, Tidbinbilla Deep Space Communications Station, Deakin Communications Switching Center
  - C. Bickley Observatory, Perth
  - D. Aerobee Launch Facility, Woomera

-- Australian Naval Base, Cockburn Sound

\* Transferred to Australian National University, 15 July 1974

Canberra - US Embassy	Melbourne - US Consulate General
Adelaide - US Consular Agency	Perth - US Consulate
Brisbane - US Consulate	Sydney - US Consulate General





B. THE POLICY OPTIONS

1. Introduction

The options that follow address policy making on two levels: our policy toward the basic US-Australian alliance relationship, and policies in specific areas of the relationship: defense-related installations in Australia, intelligence sharing, defense cooperation generally, the interaction of US and Australian policies in Asia, and bilateral economic relations. These two levels of options have been inter-related in the paper by presenting the basic options on the overall relationship not only in terms of a general statement, but also, to the degree possible, in terms of the corollary options that relate to specific problem areas.

2. Options for the Basic US-Australian Alliance Relationship

The precise direction of Australian foreign policy is far from clear at this early point in the second Whitlam Government. Whitlam can, of course, be expected to continue in the general direction of a more independent Australian policy and of loosened ties with the US. But on the more detailed aspects of how this will be applied in terms of policies concerning specific US defense-related installations, particular Asian problems, and the like -- Whitlam probably remains somewhat undecided. It is difficult to project Whitlam's future positions in these specific fields, both because his foreign policy approach is not characterized by any systematic strategy and because his past approaches must now be revised to take account of the strengthened position of his party's left-wing. As recently as July 21, 1974, however, Whitlam did give our Ambassador to understand that he fully appreciated the importance of our facilities in Australia and had no intention of asking now or later for the removal of either Pine Gap or Woomera.

A touch of schizophrenia characterizes the views of many Australians on relations with the US. The vast majority of Australians would like to see their government operating with increased "independence of action"; but at the same time they do not want any significant breakdown in the close relations with the US -- in the political, economic or security field. One of the primary



reasons for this later desire is the insecurity that almost all Australians still feel as white inhabitants of a rich and underpopulated land in the heavily populated Asian region. Only time will make it clear how these contrary tendencies will interact in Australia.

For many Australians, however, the ANZUS alliance has faded in relevance with the receding of concern over Japanese military ambitions and, more recently, with a lessening of Cold War tensions and the welcomed advent of detente. Australians now believe that only very unlikely events could raise any significant threat to their security in the decade or so ahead, such as a breakdown of the world trend toward detente or a radical change in Jakarta that would leave Indonesia either unstable or antagonistic to Australia. The relative isolation of Australia has probably helped push potential threats from the Soviet Union or China much more to the background than has been the case with our West European or Japanese allies. This sense of security, gives the GOA the feeling that it can safely follow policies more "independent of the US."

Our own occasional lapses in undertaking prior consultation with Canberra on issues of concern to its leaders, such as the US military alert last October, have also grated on Australian sensitivities. Such incidents exacerbate the long-standing charge that we "take Australia for granted."

The terms of the ANZUS agreement do, however, provide annual ANZUS Council Meetings at the Foreign Minister (or Deputy) level. At these we have traditionally consulted with the Australians and New Zealanders on a variety of political and security issues of major interest. For a series of reasons, an ANZUS Council meeting could not be held in calendar 1973. Deputy Secretary of State Kenneth Rush represented the US at a meeting in Wellington, NZ, in February 1974, the only Council meeting since Labor governments came to power in both Australia and New Zealand in late 1972. Since the October alert, we have also established new consultative machinery with the GOA on security problems.

The following basic options are directed towards maintaining our basic alliance relationship with Australia as a means, thereby, of preserving effective US military access, of reducing the possibility that the Whitlam



Government will take foreign policy positions that cut across our own, of improving prior consultation on foreign policy initiatives, and of protecting US economic interests in Australia. They must, of course, accord with lines of actions to be taken on specific installations, in the defense field generally, in the economic field and the like, to be covered later (Section II-B.3).

Basic Option 1 -- Begin immediately to attenuate certain ties in the US-Australian alliance relationship, on the assumption that this will induce the Whitlam Government to reverse those major elements of its foreign policy which are inimical to US interests.

This option could include one or more of the following steps:

- Reduce as soon as possible the flow of the most sensitive intelligence to the GOA.
- Reduce the intimacy of official relations with the Australians in those fields of activity that are not vital to the US.
- Undertake immediately some reduction in joint US-Australian military exercises.
- React vigorously to GOA statements and policy initiatives that seem to contradict the "ANZUS relationship."

PROS

- Would make crystal clear the US dissatisfaction with GOA foreign policy and our insistence on mutuality in our alliance relationship.
- If unsuccessful in influencing the current Labor government, could undermine it with the Australian people, setting the stage for an Opposition victory.

CONS

- The assumption underlying this option can be challenged:

. New US pressures would more likely undercut our friends within Australia -- including the GOA military and civil-service leaderships -- than entice ALP leaders into more moderate positions.



. Might well provoke a general nationalistic Australian reaction (including the Opposition) against what would be seen as US pressure on Australia, rather than on the Labor Government.

- Could begin a downward spiral in the US-Australian relationship.

- Would play into the hands of ALP left-wingers who claim US is ready to "abandon Australia" under the Nixon Doctrine (as they twist it) and who advise that Australia must therefore plan to go it alone.

- Would disrupt useful joint projects involving most sensitive categories of intelligence.

- Could at the very least interfere with efforts to alter Pine Gap arrangements in ways most suitable to US interests and requirements, and might result in early loss of that facility and/or others.

Basic Option 2 -- For the immediate future (and until the new Whitlam Government's intentions on US defense installations, regional cooperation, and our bilateral economic relations are much clearer) pursue a posture of low visibility and business-as-usual, avoiding major new US pressures on the GOA, although still making clear the US position on areas of major difference between the US and Australia.

- In the event of GOA initiatives that cut across US policies, take no action other than that involving close consultations (and correcting the public record if necessary) unless the Australian initiative seriously undercuts basic US interests.

PROS

- Would allow time for Australian anxieties over the US-Australian alliance relationship to begin to work toward moderating (or possibly even reversing) recent trends in GOA foreign policy, without undercutting our friends there.

- Would maintain reasonably favorable climate for our important defense installations and permit discussion of their status to proceed in a cooperative atmosphere, without precluding any moves we might decide to take.



CONS

- Could be interpreted as "more US indifference" toward Australia, which could have a demoralizing effect on our friends in Australia, and increase the confidence of those who oppose us.

Basic Option 3 -- Try to increase the stake that Australia perceives in maintaining its alliance relationship through US initiatives designed to improve our working relationship with the GOA and our image with the Australian public.

This option could involve any of the following initiatives:

- Revitalize the annual ANZUS Council meetings (and the "Officials' Talks" that take place in between) by holding meetings more regularly, by keeping US representation at the Secretary of State level, and by focusing sharply on the most important current problems of common concern.

- Emphasize and take the lead in regular prior consultations with the GOA on major foreign policy issues, particularly on Asian regional issues.

- Try to redirect the Whitlam Government's Asian interests and energies into more constructive channels by attempting to draw Australia into active regional roles that harmonize with US policy. (Discussed below, in section II-3e.)

- Propose a "declaration of principles" to redefine, in the present context, the purpose of our alliance relationship. Such a declaration might also include the other advanced industrialized democracies of the Pacific basin: Japan, Canada, and New Zealand.

- Consider a Vice Presidential visit to Australia for 1975.

- Intensify cooperation between US and Australian defense establishments (Discussed below in section II-3c).



PROS

- To the extent that it was successful, this approach would increase constraints on Australian initiatives that undercut US interests -- particularly in the Australian bureaucracy, which would be the most likely to be affected by a strengthened relationship.

- Would increase Australian public awareness of the continuing importance of the ANZUS alliance.

- More likely than other options to lead to positive US-Australian cooperation in regional and global issues on which we need Australian support.

- Could weaken the role of the ALP left-wing.

- Would retain the same favorable atmosphere for maintaining US defense installations as would Option 2.

CONS

- Might appear to be rewarding recent moves by the Whitlam Government.

- The Whitlam Government would resist initiatives they considered designed to block a more independent Australian foreign policy.

- If high-level visits to Australia were involved, would provide a focus for anti-US demonstrations.

- Would be resented by the New Zealanders, if appropriate attention were not also extended to them.

3. Options on Specific Issues

a. US Options on Installations at Pine Gap

The Joint Defense Space Research Facility at Pine Gap is the only ground station for a classified military satellite. The station -- in operation for just over four years [REDACTED] is located in the isolated center of Australia, near Alice Springs. It employs about [REDACTED]

[REDACTED] It is less than certain



that the GOA will continue to provide this installation a favorable, protected environment, or that it will not exercise its option to terminate the existing agreement upon one year's notice anytime after December 1975.

A detailed discussion of this subject and the options relating to it is contained in Annex E of this NSSM.

b. Options on Other Major US Installations in Australia

In addition to the facility at Pine Gap, the following two US defense installations also represent sizable capital investments (about \$265 million in 1974 dollars) and are important to America's position in the area and to our continued confidence in detente (see also Annex F).

- The Joint Defense Space Communications Station at Woomera (liable to termination on one year's notice beginning in 1978), is our only ground link with early warning satellites that can detect USSR/PRC missile launches and above-ground nuclear events. It is jointly manned and operated by 255 USAF and 23 Australian military personnel. Relocation (to Guam, for example), while technically feasible, would require about two years, cost at least \$20 million, and entail a marked risk of hostile electronic interference.

- The US Naval Communications Station at North West Cape (agreement expires upon notice after 1988) is a key command and control communications relay to US ballistic missile submarines on patrol in the western Pacific and Indian Oceans and the South China Sea. It also provides backup communications to surface ships in the Indian Ocean and private USG and GOA communications. There is no politically acceptable alternative to the large present site, now jointly manned by 416 US military personnel and 16 DOD civilians. Recent USG-GOA agreements provide for 45 Australian billets. Relocation, while technically feasible, would require considerable land area and at least three years to accomplish and would cost approximately \$250 million.

On July 21, Whitlam told our Ambassador that he would not have agreed to the North West Cape Station had he been Prime Minister at the time, but that since it was in place and of value to the US, he would not abrogate the agreement. (He made no such qualifications about being opposed to the establishment of either Pine Gap or Woomera.)



The following options are not all-inclusive, since we are not faced with the need for immediate decisions on these two facilities. Rather, the question is whether action should be taken concerning them within the context of decisions on the basic US-Australian relationship.

- (1) Actively try to maintain Woomera and North West Cape by convincing the GOA of their continuing importance to our mutual interests.

This could involve the following USG actions to make our long-term presence more palatable to the GOA:

- Be as forthcoming as possible in implementing the recently agreed-upon arrangements to make North West Cape clearly a joint facility.

- Increase joint manning and operation at Woomera.

- Forego efforts to secure additional US defense-related facilities -- homeporting, Omega, Baker-Nunn, etc. (see next section and Annex F), if this would be of use to the GOA in rationalizing the maintenance of other major facilities.

#### PROS

- If successful, would assure continued access to North West Cape and Woomera at minimum cost to the USG.

- Would permit USG to defer other decisions until political trends in Australia are clearer.

- Might provide Whitlam with adequate manning and operational changes to calm his left-wing opposition sufficiently.

#### CONS

- Would require a major USG effort to convince the GOA to support continuation of all facilities.

- Probably would not be acceptable to all left-wing opponents of our presence.





- (2) Plan for the removal of North West Cape and the relocation of Woomera facilities as the present agreements become liable to termination or before.

The option assumes that no actions we could take would lead the GOA to continue to agree to our long term presence. In addition to the political climate in Australia, the exact timing of our departure would be dependent on the priorities of specific projects, especially at Woomera where a wide variety of programs are co-located, and the availability of alternative sites and technology. To the extent feasible, some programs would be turned over to the Australians completely, allowing only for occasional visits of US personnel and our receipt of the product.

PROS

- Could be used to buy time for our other facilities, including Pine Gap.
- Would allow Whitlam greater maneuver room with the left-wing of his party and public.
- Might partially satisfy certain Australian desires for an increasingly independent security posture.
- Might provide sufficient time for technological developments to obviate the need for the present installations.

CONS

- If no acceptable alternative site were available for the North West Cape facility, and it were still required, we would lose a key communications relay.
- Would be very expensive.
- Might not become necessary, if we were to hold on.
- Might appear that the US had given in to left-wing pressures in Australia.

c. Alternative Policies on the General Australian-US Defense Relationship

Introduction

The US has a broadly-panoplied security equity in Australia. This is measured not only in the major



facilities we occupy there now, plus a number of future (albeit less crucial) facility requirements, but also in a variety of USG-GOA military level programs. These include, inter alia, service-level personnel exchanges, joint exercises, port visits, cooperative research and development projects, and an extensive military sales program. There are currently 654 US military and 24 DOD civilian personnel assigned in Australia to support this range of defense activities (excluding Pine Gap, see Annex E). Total FY 1974 operating costs for DOD in Australia are estimated to be about \$15 million. Details on DOD facilities and other associated relationships -- and the agreements which cover them -- are set forth in Annex F.

In addition, NASA has cooperative space tracking, data acquisition/transmission and research facilities unconnected with DOD activities -- that represent approximately \$70 million of investment in permanent installations (see Annex G).

#### Other Defense Facilities

- Two Atomic Energy Detection Stations have been providing important data to aid in monitoring the observance of the limited test ban treaty, a capability that should also apply to the recent US-USSR agreement. The Amberley Acoustic Station, which gathered data on Pacific Ocean area atmospheric nuclear events, has become excess to USAF needs; on July 15, 1974, it was turned over to the Australian National University. (We will have access to the resultant data.) Negotiations are also proceeding for the complete turnover of manning and operation of the Alice Springs Seismic Station to an Australian agency, with the stipulation that valuable data collected on Eurasian underground nuclear events will be provided to us.

- There are also several support and administrative facilities related directly to the foregoing major facilities, as well as a conglomerate (at Canberra) of military attache, procurement information, standardization, and research offices.

#### Future Facility and Operational Requirements:

- Homeporting. A US Navy proposal to homeport a destroyer escort at Freemantle until it could be shifted



to the Australian Navy base at nearby Cockburn Sound when construction is completed in 1978 has not been formally put to the Whitlam Government, given the present state of our relations and the higher priority accorded to maintaining the current US presence. Some discussions have, however, occurred at the DOD/MOD level.

- Omega Navigation Station. We have not yet reached agreement with the GOA to begin constructing this unclassified facility, although there have been prolonged negotiations. Omega has become a major political issue in Australia. The other seven stations of the network designed for worldwide coverage are either completed or underway.

- Baker-Nunn Camera Station. Negotiations to relocate a USAF satellite tracking camera from a Pacific island to Perth, in order to close gaps in coverage, have been recessed until the general political environment improves.

- NPW Port Visits. We remain strongly interested in re-establishing nuclear-powered warship visits to Australian ports, a practice that was discontinued in 1971 ostensibly so the GOA could study the safety and liability aspects further.

- Doppler Receiver Teams. We have held in abeyance, since Whitlam's advent to power, a 1972 request to station small teams in Australia as part of a worldwide Defense Mapping Agency geodetic satellite program for atmospheric model studies and earth gravity analysis.

- Seismic Research Observatory. Since April 1974 we have had technical level, but not formal, GOA approval to establish an improved station under ARPA sponsorship as part of a worldwide network to differentiate between manmade and natural seismic events.

Other Defense Relationships:

- Military Exercises. Combined US and Australian forces participate in a variety of significant as well as routine exercises which usually include forces from New Zealand, Canada, Great Britain or the Philippines. For example, in FY 1974 there were nine scheduled exercises involving over 30,000 personnel, 115 ships, and 270 aircraft.



These exercises, of clear value to Australia, also provide us with useful maneuver areas at a time when there are increasing constraints in the region. (See Sub Annex II of Annex F.)

- Operating Rights. The US Navy operates two maritime patrol aircraft flights per month through a non-military airfield in the Australian-controlled Cocos (Keeling) Islands for Indian Ocean reconnaissance. USAF Military Airlift Command aircraft have also used the airfield to a small degree, but not in FY 1974.

- Military Sales. Australia has purchased defense equipment from the US since 1950 worth just over \$1 billion. Major items have included a variety of aircraft, surface-to-air missiles, vehicles, ships and weapons. Major prospective purchases through 1978 could run to an estimated \$1.235 billion for tanks, ships and aircraft. However, purchases of this magnitude are problematical since the Whitlam government, perceiving no ultimate security threat to Australia in the near term, has decreased the GOA defense budget and postponed numerous procurement decisions; nevertheless, we expect sales of \$300-500 million.

- Personnel and Unit Exchanges. All four US military services have separate programs with their counterpart Australian services. These encompass less than 100 individuals (in service billets and staff schools). They include semi-annual Army platoon training exchanges; Air Force and Navy annual meetings (in conjunction with New Zealand), and infrequent quadripartite (with Canada and the UK) Navy meetings of a communications board and an ASW school. Other activities include periodic US Navy port visits as well as Australian naval training in the US.

- ARPA Projects. The Defense Advanced Research Projects Agency (ARPA) has four cooperative R&D projects now underway: surveillance techniques (over-the-horizon detection radar, ship-towed acoustic detection arrays), sounding rocket firings, and small arms/sensor tests. (See Sub Annex V of Annex F.)

- TRANET. Australian personnel operate a US-built and partially funded Doppler satellite tracking station, part of a worldwide network, to obtain mapping



data of prime importance to our ICBM/SLBM systems. It is at Smithfield near Adelaide in South Australia.

- Mapping. The Defense Mapping Agency also maintains three important cooperative arrangements with the Australians to produce and exchange maps and geodetic data.

#### NASA Facilities and Relations

NASA oversees the Australian operation of six facilities which track, command and receive data from earth satellites and deep space probes. NASA, which also provides some grant support to related Australian scientific research, considers these activities of fundamental importance to the US space program.

#### Policy Alternatives.

Obviously, we could alter the frequency or scale of many of our miscellaneous defense relationships either for leverage with the GOA or for signalling the GOA in respect to US attitudes. In most of the cases described above, however, we benefit more from these activities than do the Australians. Moreover, changes in this facet of our relations would impact most directly on elements in the GOA that remain most pro-US: the military services and career defense civilians.

Our options in projecting our future defense relationships with Australia include the following:

- (1) Leave the defense relationship basically unchanged.

#### PROS

- Would continue a range of activities of preponderant benefit to the USG.

- Would indicate our intention to preserve close and active ties.

- Would not focus public attention on any one aspect of our relationship.

- Could preserve our maneuver room until trends are clearer.



CONS

- Might leave the impression we were not greatly concerned with the trend of events in Australia.

- Might miss available opportunities to influence Australian attitudes toward the US.

- (2) Gradually reduce the defense relationship, concentrating on maintaining those activities which benefit us most and not pressing ahead with new and pending installation requests.

PROS

- Could be realistically presented as part of worldwide US efforts to economize on defense expenses.

- Would retain some service-to-service relationships.

- Might assuage some of the left-wing who are uneasy about the scope of the US-Australian defense relationship.

- Lays the groundwork for a more drastic cutback.

CONS

- Would have an adverse impact on the Australian military services.

- The deferral of new (and pending) installation requests would require searching for alternative sites in some cases.

- Could be interpreted by Australian supporters of a close relationship as evidence of a loss of US interest.

- (3) Drastically reduce the defense relationship.

PROS

- Could, if properly handled, create pressure within the Australian military to rectify a deteriorating



relationship, resulting in a more forthcoming GOA attitude on major US defense-related installations.

- Not necessarily visible to Australian public.

CONS

- Would, if persisted in, most probably destroy an intimate military-to-military relationship of long standing.

- To the extent Australian purchases of US defense equipment are cut-back, would adversely impact on US balance of payments and on the commonality of our defense inventories.

- Could lead to the premature termination of ongoing projects.

- Could lead to the denial of scientific research information now exchanged, impacting adversely on NASA and other important US activities.

- Might impact adversely on the prospects for continued access to major defense-related installations.

- (4) Attempt to intensify defense cooperation, by being more forthcoming with the GOA on matters of concern to them (e.g., closer consultation on security issues) and by trying to secure, in a carefully timed manner, GOA agreement to additional facility and operating requirements of value to the US.

PROS

- Would strongly indicate our intention to preserve close and active ties.

- Would reinforce the position of that part of the GOA which is most pro-US.

- Would permit us to counter-balance cut-backs in other aspects of our relationship.

- Could impact favorably on the prospects for continued access to major defense-related installations,



possibly by serving as a lightning-rod for left-wing criticism.

CONS

- Would focus attention on the defense aspect of our relationship, and could create an environment inhospitable even to the maintenance of our current facilities.

- Might leave the impression we were blithely ignorant of recent indications the GOA wishes to pursue a more independent policy.

- Would greatly disturb the ALP left-wing members who are uneasy about the present US-Australian defense relationship.



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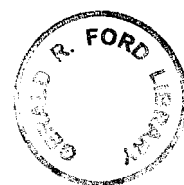
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- Would threaten the close relationship with Australian officials built up over many years.

e. Interaction of US and Australian Policies in Asia

(1) Australia, America, and Asia

As a developed nation with a responsible interest in foreign affairs, Australia has been most helpful to us in the pursuit of our Asian policies. We continue to have many if not most interests in common in that region.

Australia has, in cooperation with the US, played a regional role in the stability of Southeast Asia. It still continues economic aid to Laos, Cambodia, and Viet-Nam, although on a scale much reduced from the level under previous Australian Governments. As long as SEATO continues to evolve towards less of a "military organization" and towards greater emphasis on developmental goals, Whitlam appears for the time being to have no great argument with continued Australian membership. Although Whitlam early moved ahead to recognize North Viet-Nam, he resisted the efforts of the left-wing within his party (notably Jim Cairns) to push the GOA toward recognition of the PRG. After some hesitation, Whitlam decided to continue to maintain his relationships with Phnom Penh, although now at the Charge level.

Australia maintains its membership in the Five Power Defense Arrangement (with Malaysia, Singapore, the UK and New Zealand), although it only retains air units (two squadrons of Mirage fighters at Butterworth in Malaysia) and intends to withdraw those in two years time.

Australia remains a major force for stability in the Indonesian area. The GOA provides considerable aid to Indonesia, and enjoys warm relations. It is rapidly moving Papua New Guinea (PNG) toward independence and will continue to be a major factor in preserving the security of that area in the years to come. (It has promised A\$500,000,000 in aid to PNG during the first three years of independence.) Should Portuguese Timor become a trouble spot, Australia would have a major interest in assuring stability.



Our diplomatic contacts with Australian missions around the world have been exceedingly close. In most nations of Asia the advent of the Whitlam government has done little to change this sense of cooperation.

(2) Tenets of Whitlam's Asian policy

Principal tenets of Whitlam's Asian policy, as it has evolved in the past 18 months, have been:

- Enlarging the circle of countries with which Australia has diplomatic relations to include in Asia those with Communist governments.

- Completing the break with past Australian policies on Indochina.

- Reduce the emphasis on the security aspects of Australia's role in the region, specifically in SEATO and the FPDA, while maintaining basic commitments for the time being.

- Promoting regional arrangements focussed on economic and social development.

- Limitation of great power (US, Soviet, Chinese) influence and competition in Southeast Asia and the Indian Ocean.

The Whitlam government's Asian policies are likely to continue along these lines. Given the strengthened left wing position in the party, the anti-American component of some of these policies may be more strongly emphasized.

(3) Principal points of divergence and convergence between US and GOA policy in Asia

- The most likely points of divergence will be Indochina and the neutralization of the Indian Ocean. These two, of course, are supportive of Whitlam's desire to rid Asia of super-power competition, but would also, at least in his mind, result in a reduction of the use of military power in these areas. At the same time, Whitlam's rhetoric on these issues may sound more damaging than his actual actions. On Indochina, the Whitlam Government, especially with increased pressures from its left wing, can be expected to move toward recognition of the PRG and derecognition of the GKR. At the same time,



Australia will probably continue its contribution to FEOF in Laos, and its limited economic assistance to the GVN.

- The major potential for convergence between US and Australian policies lies in Indonesia. Australia, like ourselves, wants to help Indonesia achieve internal stability and play a constructive regional role in Southeast Asia.

- We probably will experience no substantial divergence with Australia over the normalization of relations with the PRC or in our relations with Japan. On SEATO and FPDA, we need expect no new frictions in the near future, unless the ALP left wing decides to press vigorously for an earlier Australian withdrawal from these security pacts.

The Options:

1. React vigorously to Whitlam's verbal sallies and policy initiatives that undercut US policy in Asia.

Our reaction could include, as appropriate, the following measures: as forceful as possible a rebuttal, temporarily putting distance between ourselves and the Whitlam Government, and reduction of US cooperation with Australia.

PROS

- Would, as in the past 18 months, impose some additional constraint on Whitlam's own proclivity to vent thoughtlessly his antipathies on particular issues.

- Would leave no third country in Asia confused about our policy position in the wake of an Australian initiative.

CONS

- Would probably be less effective as a constraint on Cairns and other left-wingers, particularly in light of their recently strengthened position.



- Would risk exciting a general nationalistic Australian reaction to what some would charge was a US attempt to thwart the development of an independent Australian foreign policy toward Asia.

- Would risk initiating a downward spiral in our overall relationship with Australia.

2. To extent possible, roll with the Whitlam Government's verbal onslaughts on Asian issues and policy initiatives respecting Asia that do not strike at major US interests, although seeking to modify them when feasible, and correcting the public record when necessary.

PROS

- Would reduce the risk of a general Australian nationalistic reaction.

- Would give elbow room to the widespread Australian desire for greater assertiveness in foreign policy.

CONS

- Would discourage the more conservative and moderate elements in Australia from bringing pressure to bear on the Whitlam Government's foreign policy.

- Could contribute to the long-standing Australian resentment over what is perceived as US indifference towards Australia.

3. Try to redirect the Whitlam Government's interests and energies on Asian policy into more constructive channels by attempting to draw Australia into active regional roles that harmonize with US policy.

This would contemplate a follow-on comprehensive review of our policy vis-a-vis selected Asian countries to develop specific proposals to broach with the Whitlam Government.



PROS

- To extent that it was successful, would reduce the Whitlam Government's proclivities for actions which undercut our policy.

- Would demonstrate a constructive US interest in Australia and in Australia's potential role in Asia.

CONS

- Since it would take at least six months for this option to begin to have affect, it would not cope with any difficulties from the Whitlam Government that might arise before then.

- Might be seen as a US attempt to thwart increasing Australian independence in foreign policy.

- Australian efforts to play a leadership role would offend the ASEAN states and risk isolating Australia from its neighbors, particularly if it appeared Australia was acting as a US agent.

4. Do not try to redirect the Whitlam Government's interest and energies on Asian policy, but continue with cooperation in this field essentially as at present.

PROS

- Would avoid appearance of trying to manipulate Australia's Asian policies.

- Would avoid a possible appearance of trying to placate the Whitlam Government.

CONS

- Would risk losing a potential opportunity to head off increasing divergence between US and Australian policies in Asia.

- f. Alternative US policies in the economic sector.

We have strong incentives to maintain our good economic ties with Australia:





- Total US investment since 1948 is estimated at \$5 billion, a sum larger than all the remainder of East Asia. In only Canada, the UK, and Germany has the US a larger investment.

- Our trade balance with Australia is very favorable (a 1973 surplus of \$378 million). Total two-way trade was US\$2.5 billion in 1973. Our favorable balance with Australia forms part of a very healthy trilateral pattern with Japan, a heavy purchaser of raw materials from Australia.

- We will need Australian minerals. (We get about 57% of our imported alumina, 21% of our lead, 53% of our rare earths, 10% of our zinc from Australia).

- Japan and other allied mineral-consuming nations rely on Australian sources as well. (From Australia comes 47% of Japan's iron ore, 58% of its bauxite, 37% of its coal.) Minerals abundantly available in Australia include: iron, copper, lead, zinc, manganese, silver, nickel, aluminum (bauxite), coal and uranium.

- Australia is a petroleum producing nation; presently 70% self sufficient and may have major undiscovered reserves.

- The GOA plays a significant role in world economic and financial institutions: the World Bank and the International Monetary Fund, the OECD, and many specialized agencies. As a responsible industrial state, the Australian position has usually been close to that of the US.



Australia values the US as its second largest market (after Japan):

- We bought 43% of Australia's meat exports, 9% of its metaliferous ores, 10% of its sugar exports in FY 73.

- We supply many consumer goods not readily available elsewhere.

There is a body of opinion in Australia that could push the GOA toward policies of resource diplomacy. About 62% of the mineral extraction industry there is foreign owned, and the slogans of moderates as well as leftists proclaim that Australia should "buy back the farm." The GOA has said it wants eventually to end all

foreign ownership in the energy industry in Australia and to assure that the present degree of foreign ownership in the mineral extraction industries generally does not increase.

Minister for Minerals and Energy Connor has talked about "resource diplomacy" as a means of assuring a "fair price" for Australian mineral exports. Nevertheless, he has taken pains to assure buyers like the Japanese that Australia is a reliable supplier of minerals. Although the GOA did attend a recent meeting of bauxite producing nations, at Conakry in March, 1974, it played a responsible role there. Foreign Minister Willesee has attempted to assure us that Australia does not intend to push any tendencies toward "resource diplomacy" at the expense of the proper workings of the world economy.

In the second Whitlam Government, Canberra may become more assertive on the whole question of foreign investment than it has been in the past. On the other hand, Cairns and Connor, despite being the top leaders of the ALP left-wing, have shown themselves reasonably pragmatic in their attitude towards the economic sector during the last eighteen months.



The Options:

1. Make no major change in present policies, but maximize our flexibility by treating each economic issue (i.e., bauxite supply) individually, acting only when problems become especially serious or where initiatives will obviously pay dividends.

PROS

- Would avoid policy conflicts which could result from approaching Australian issues differently than those involving other countries.

- Would lessen the chance that problems would be exacerbated by the US appearing to interfere in domestic economic matters in Australia.

- Would give time for current ALP leaders to further mellow in office.

CONS

- Might give the erroneous impression that the US is unconcerned about economic issues which are in fact of considerable importance to us.
- Could result in needed action not being taken.
- Would leave US business interests in Australia as uncertain as ever about the direction of GOA policy.

2. Increase USG-GOA bilateral consultations on economic matters and help bring Australia more fully into multilateral consultations, assuring the GOA of an increased voice in world economic decisions.

A policy to keep Australian Embassy officials in Washington, and GOA officials in Canberra, fully briefed on economic affairs would insure that the GOA was current on developments in monetary affairs, commodity conditions, trade, and development assistance. Such a process might be institutionalized by periodic economic talks, such as those we now hold with New Zealand on an annual basis. We could also schedule a more systematic program of visits to Australia by high-level US economic officials. In multilateral bodies, the USG could also exert influence to see that Australia is involved to the maximum extent possible in multilateral bodies, consultative committees, and working groups.

One practical avenue for the implementation of this option would be to give greater weight to Australia by including it in restrictive groupings within the major economic organizations to which it already belongs (e.g., GATT, OECD, IMF/IBRD, ECG). A second would be to give more support to Australian policies within the activities and agenda of these organizations. The OECD may present the most promising possibilities for either of these approaches.

PROS

- Might increase the Australian sense of interdependence with the economic fortunes of the developed world, and encourage a sense of supplier responsibility.



- Could improve Australian self-confidence in dealing with other developed nations (notably Japan).
- Could help secure an important measure of Australian minerals and energy resources for the growing appetites of the industrial nations.
- Would be evidence that the US-Australian "special relationship" continues.
- Would satisfy Australian desire to be viewed as a major economic power.

CONS

- Bilateral relationships are already close and intensification might breed suspicion in Australia.
- Australia is already extensively involved in international bodies, and opportunities for broadening that involvement are few.
- Periodic bilateral talks would mean a substantial bureaucratic burden.
- Special US efforts toward Australia might not seem even-handed to other nations, and could lead to pressures for similar treatment.
- Membership in restrictive bodies of international bodies is frequently fixed, and reopening the issue usually raises difficult problems.



3. In addition to the actions in Option 2, attempt to tie Australia in to a Pacific Basin economic grouping (an economic consultative group, to include Australia, New Zealand, Japan, Canada, the US, perhaps the Philippines, etc.)

Such a group would provide a new focus on Pacific Basin relationships, and on the ways and means of promoting the economic interests of this community. A number of problems would have to be examined carefully before any such US initiative, including the organization's specific objectives, the difficult matter of membership, and the possibility of trade or investment subgroups.

PROS

- In addition to the benefits under Option 2, would give concrete form to the principle of multilateral consultation and cooperation.

- Would institutionalize already existing Pacific Basin trading links, especially the trilateral Australia-Japan-US relationship.

CONS

- Such a group, if too limited in membership, might be regarded by the underdeveloped world as yet another exclusive club of the rich nations.

- It could be regarded suspiciously by the rest of the developed world (European Community, etc.) and might be seen as detracting from other economic organizations (e.g. the OECD).

- Japan might hesitate to participate in such a group for fear of antagonizing other important world consumers and suppliers.

- Australia-US economic considerations alone are too narrow a consideration upon which to base the formation of such an organization.

4. Mobilize what economic leverage we have (e.g., possible trade and capital flow restrictions) to encourage the GOA to adopt policies more in the interests of the US, including a more liberal posture toward foreign investment, rejection of "resources diplomacy" and liberalization of trade barriers.

The objective of this approach would be to demonstrate to the GOA our determination to influence economic policy in areas of importance to us. Obviously, since our leverage is limited, such pressures would have to be carefully selected.

PROS

- Could press the GOA to act more cautiously in non-economic fields of importance to the US.

- The US business community would applaud such moves if they led to investment on favorable terms.

- Certain exports -- meat for example -- are important to Australia and the US is a very significant buyer. (Restrictive legislation on meat already exists, and requires only executive decision to enact.)

CONS

- Would run counter to the general thrust of our international economic policy, which seeks to lower barriers to trade and capital flows.

- Might force premature GOA decisions and close off trends toward moderation.

- Extremely difficult to enact trade restrictions to serve US foreign policy goals (Domestic considerations have traditionally governed US policy here.)

- Retaliation could be expected and the US both enjoys a substantial trade surplus with Australia and needs Australian minerals.



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