

# Our unreliable, incapable ally

We play regional deputy sheriff to the US but if push comes to shove with China, Washington might not be there to help.



Peter Hartcher

**W**hat does a deputy sheriff do without a sheriff? Australia has spent the past three-quarters of a century as America's uniquely loyal ally. Again and again, Australia signed up for US wars that other American allies refused to join. The Brits were too smart to join the American war in Vietnam. Canada was too wise to touch the 2003 US invasion of Iraq. And Wellington was so wary of US nuclear weapons that it, in effect, took the "NZ" out of ANZUS.

But Canberra sent troops into even the dumbest US wars in the belief it was paying an insurance premium against the day when Australia needed US help.

Now that Australia finds itself facing its most precarious geopolitical situation since World War II, the insurance policy is looking pretty threadbare. US President Donald Trump has shown that he is happy to ignore, insult and injure American allies whenever the mood takes him.

On Friday, it was through the F-35 fighter jet program that Australia, among other allies, has relied on. Trump called it "crazy". Australia decided to join the US in supporting the F-35 program more than a decade ago under the Howard government, when it was just an idea. It was then known as the Joint Strike Fighter project.

Part of the deal was that if US allies committed to buying some of these planes, Washington would give them a share of the manufacturing work to make them. Eight US allies signed up.

Canberra agreed to buy 72 jets as part of a \$17 billion program. In return, about 50 Australian companies employing about 2400 people are now making components for the jets. The work is worth \$1.3 billion.

Until Trump decided to threaten the whole deal in an interview on Friday: "The problem is, if we have a problem with a country, you can't make the jet. We get parts from all over the place. It's so crazy. We should make everything in the US." Fewer than half the jets so far have been delivered to Australia.

Scott Morrison's response? Hoping that it's just electioneering bluster from Trump, the Prime Minister said he'd "wait to see" what happens. But whatever happens with the F-35s, the episode is another reminder of how unreliable the US has become. Deputy sheriff Australia now uneasily fingers the six-shooter in its holster, wondering what the mad sheriff has in mind for the future weapon and ammo supply.

This is not the first time Australia has had to fret about how much to trust the US. Malcolm Turnbull made an important revelation in his memoir, *A Bigger Picture*. The Australian Navy sometimes joins the US Navy in patrolling the South China Sea, asserting freedom of navigation in international waters to hold China's territorial advances in check. But Australia refuses to follow the US all the way into the 12 nautical mile territorial zone that China claims for its artificial features in the sea.

Turnbull explained why. The Chinese navy "knows that if it conflicts with a US ship, it runs the risk of a rapid escalation into full-blown conflict". "But an Australian ship is a different proposition altogether. If one of



our ships were to be rammed and disabled within the 12-mile limit by a Chinese vessel, we don't have the capacity to escalate. If the Americans backed us in, then the Chinese would back off. But if Washington hesitated or ... decided not to or was unable immediately to intervene, then China would have achieved an enormous propaganda win, exposing the USA as a paper tiger

## Aircraft carriers would have to sail away to escape.

not to be relied on by its allies." So that's the question of US reliability, but there's also the question of American capability. In a new book, *The Kill Chain*, US expert Christian Brose says that "over the past decade, in US war games against China, the US has a nearly perfect record: We have lost almost every single time". In a war against China, "our spy and communications satellites

would immediately be disabled; our forward bases in Guam and Japan would be 'inundated' by precise missiles; our aircraft carriers would have to sail away ... to escape attack; our F-35 fighter jets couldn't reach their targets because the refuelling tankers they need would be shot down", as summarised by *The Washington Post's* David Ignatius.

And last week, two top officers in charge of US Special Forces said their 70,000 troops and \$US13 billion a year were unsuited to the threats posed by China. "Maybe we are further behind than we know," US colonel Michael McGuire told a conference. "Things ... moved ... more quickly than we expected."

So if the US is unreliable and perhaps not even especially capable, should Australia look to China? As Morrison reminds us, Australia has a "comprehensive strategic partnership" with Beijing. This might sound good but, in fact, the China relationship is neither comprehensive, strategic nor a partnership. It can't be comprehensive

because the Chinese Communist Party is an authoritarian political movement that does not tolerate an independent judiciary, freedom of speech, freedom of worship or freedom of association.

It can't be strategic because Beijing wants to "take over" control of Australia's political system, according to former national security adviser Duncan Lewis. And it can't be a partnership because President Xi Jinping bases the relationship on "bullying", to quote Turnbull's memoir once more.

And in the words of sinologist Geremie Barme, "being labelled strategic by China means, 'You've got s--- we want!'"

A deputy sheriff without a sheriff might be tempted to hand in his badge, except that much of his neighbourhood and a third of his international income is in the hands of a big bully. The deputy must do the only thing he can do - form a posse with other deputies and like-minded nations who want to keep the peace.

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# Axing of free childcare makes no economic sense

Rosalind Dixon and Richard Holden

**D**uring the COVID-19 crisis the federal government engaged in an unprecedented experiment to save childcare centres from closure by making the service free for Australian families from April 6.

Rather paradoxically, that experiment has been so successful that the government seems unlikely to extend it beyond the scheduled end date of June 28. Education Minister Dan Tehan said at the weekend: "The success of the rescue package and the success we have had in flattening the curve means we do have to look at how long we want this temporary measure in place and how quickly do we need to change

to meet the growing demand". This threat to completely roll back free childcare makes absolutely no sense in the economic circumstances in which we find ourselves.

The common thread behind the desire to end the childcare scheme as well as a push from the coalition back bench to end the JobKeeper wage-subsidy program early is concern about the fiscal cost of such programs. Despite the fact that the government will and should run deficits topping \$130 billion for the next two years, there has been a reflexive return to the "debt and deficits" mantra to which the government was wedded before the pandemic.

Yet the way to deal with the debt accrued to get the country through the crisis is to shrink it away as a share of Gross Domestic Product

by growing the overall economy. With the government able to borrow long-term for less than 1 per cent, the carrying cost of even \$260 billion of new debt is tiny - between \$2 billion and \$3 billion a year out of a \$500 billion a year budget.

The real question is how do we get that economic growth? The most likely path to growth is from increased labour force participation. Australia's participation rate is quite strong relative to other advanced economies, but there is room to get above our roughly 66 per cent rate. That requires getting parents - especially women - back into the workforce.

To do so we need a taper, rather than a radical rollback, of childcare support. A gradual reduction in the increased subsidies brought in last

month, not cutting them off entirely. That might mean a sliding scale that reduces the current 100 per cent-free model to 90 per cent next quarter, then 80 per cent, and so on.

Of course, free childcare is not the only, or even the best model or use of government funding going forward. Last year we proposed a plan where households could continue to use the pre-crisis childcare subsidy scheme without modification, or opt to forego those arrangements and instead receive a tax deduction for childcare expenditures up to an annual cap.

Having the option to stick with the CCS means that no household could be worse off, but a significant number would be better off - more than 205,000 households, representing 22.5 per cent of households with children. The average couple with children

would be \$618 per annum better off and households in the bottom 20 per cent to 40 per cent of the income distribution would be an average of \$626 a year better off.

And from an economy-wide perspective, the plan would boost labour force participation by providing increased access to affordable childcare while removing the high effective marginal tax rates for working extra hours. This can sometimes mean that parents, perversely, earn less on a net basis by working more, once actual tax rates and the loss of childcare subsidies from additional income are factored in.

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