Five Opportunities for the U.S.-Australia Alliance to Lead

By John Schaus and Michael Shoebridge

This memo comes out of cooperative work between two think tanks—the Center for Strategic and International Studies (CSIS) and the Australian Strategic Policy Institute (ASPI)—and is intended to support President Joe Biden and Prime Minister Scott Morrison in setting directions and making decisions for the U.S.-Australia alliance for the purpose of advancing joint prosperity and security.

This is a time of opportunity for the United States and Australia.

The alliance between the United States and Australia is in its 70th year and in robust health. This is a moment of unique alignment and momentum between both countries. The United States and Australia largely agree in their assessment of the strategic environment in North Asia, Southeast Asia, the South Pacific, and the Indian Ocean. Both nations are rebuilding their economies and using that rebuilding to address emerging challenges domestically and internationally.

While the alliance is strong, that strength should not be an excuse to allow this moment to languish. Instead, President Biden and Prime Minister Morrison should take steps to address emerging vulnerabilities and meet both today’s problems and tomorrow’s challenges. Top among the challenges are addressing the Covid-19 pandemic, responding to Chinese power and assertiveness, and engaging with the role that emerging technologies will play in setting the path for future prosperity, wellbeing, and security.

In each of these areas, the common factor is recognizing that time is now an increasingly valuable asset. Previous approaches and processes used to manage the alliance during extended periods of continuity need to be revised to work at the urgency this new environment requires.

Meeting the collective challenges will require cooperation with trusted partners. Leveraging the strength of the alliance, both the United States and Australia can work together at speed to catalyze action from a broader array of partners—whether that is the Quad, the U.S.-Japan-Australia trilateral, or groupings such as the open societies that met in the recent G7 Plus and the upcoming virtual summit for democracy.
Right now, President Biden and Prime Minister Morrison can move the alliance forward in five specific areas of cooperation. Each action represents a significant, positive contribution to joint security and prosperity. Each would benefit from early decisions and direction at the most senior level of leadership in both nations. Some require the United States or Australia to take a lead step, but all require joint action and a sense of urgency.

**Expand Vaccine Production and Distribution Capacity**

Responding to Covid-19, and recovering from it, has led every nation’s agenda since March of 2020. Vaccine production and distribution are now enabling people in countries around the world to be vaccinated. The speed and scale of the current vaccination effort are unprecedented, and yet fall well short of what many expect from their governments and what the world needs to see to return to normal economic and social activity.

The U.S.-Australia alliance has an opportunity to enable population-level protection against Covid-19. It would be the single largest economic assistance and engagement program that the United States and Australia could have for the Indo-Pacific region and would provide a positive foundation of regional public and political support for decades if done correctly.

The strategic value of government-backed, commercially driven vaccine production and distribution for the Indo-Pacific region makes a joint U.S.-Australian regional production hub in Australia attractive. The effort builds on existing Australian investments, biotechnology research and talent, and public-private partnerships with firms at the leading edge of vaccine production. U.S. support for greater commercial cooperation with Australia to establish vaccine production facilities would enable a stronger, faster response to the Covid-19 pandemic and position the alliance to more rapidly respond to any future disease outbreaks.

**Develop Future Technologies Together, Starting with Quantum**

In the intensifying technology competition between China on one side and the United States, its allies, and its partners on the other, the latter group is restricted from maximizing innovative, technological, and economic advantages by policies and agreements that stymie more effective collaboration on research and development and more comprehensive economic engagement in cutting-edge fields. Now is the time for leaders to commit to pioneering new ways of cooperating to fully leverage the creative capacity of these open societies. Quantum technology is one clear area in which to pioneer these new means of collaboration.

Rapid progress in the development of realistic and capable quantum computers at intermediate and larger scales is occurring earlier than previously anticipated. Technology companies and governments are pouring funds and talent into quantum computing research and development because they see it as underpinning economic and military power, not 20 years from now but just 5 or 10 years in the future.

U.S. companies—big tech and startups—along with government agencies and powerful research institutes have been working in this area of technological development for years. Australia’s quantum community and related research areas have world-class expertise in the race to develop a silicon-based quantum computer and to intermediate quantum computers, notably optical approaches.

Two elements are lacking that could catalyze this work. First is a clear government-to-government science and technology partnership on quantum computing between the U.S. and Australian governments to provide the framework for commercial, scientific, and government work in this area of future advantage. A U.S.-Australia equivalent to the 2019 Tokyo Statement, or expanding the Tokyo Statement to include Aus-
tralia, would be a strong initial step. Second is a clear investment signal from the Australian government into Australia’s emerging quantum efforts in addition to the silicon quantum computing work. The quantum partnership can parallel the incredibly successful NASA public-private partnerships. Further, working through policy and regulatory barriers to closer cooperation on quantum could pave the way for revised and harmonized processes to enable close cooperation on a range of additional areas, including biotechnology, autonomous/uncrewed systems, artificial intelligence, and advanced military hardware.

Given Australian research and development talent, this partnership can accelerate a new source of technological advantage for the alliance and its close partners, with Australia being a contributor to, not just a customer of, U.S. technology partners.

**Deter Economic Coercion**

Over the past decade, countries in the Indo-Pacific have increasingly seen their economic relationships, and especially their exports, used as leverage in geopolitical contests for influence. Recently passed laws in the United States seek to limit the ability of countries to coerce through exploiting the international trading system or through financially unsustainable inducements. To date, there has been too little focus on developing remedies for the exploitation of countries’ export dependence for political gain.

There are several examples of this type of coercion over the past decade. The Philippines saw its banana exports to China curtailed over a political dispute in 2012. South Korea saw its inbound tourism from China dry up overnight as a result of installing a defensive anti-ballistic-missile system in 2017. More recently, Taiwan’s pineapple sector was cut off from the mainland Chinese market, and exports of Australian beef and wine were slowed immediately following Australia’s call for an open and transparent investigation into the origins of the Covid-19 pandemic.

Limiting the harmful effects of such measures is important to the economic health of countries throughout the Indo-Pacific. To achieve this, President Biden and Prime Minister Morrison should announce the establishment of a fund to deter economic coercion. The fund, likely with a starting value of about $1 billion, would be available for distribution to sectors targeted for import bans into foreign markets. It should not be used as a complete replacement of lost sales, but provide a portion of the forgone revenue for a limited time, to reduce the impact of future coercive actions, buy time for market adjustment, and optimally deter the use of such coercion all together. To be effective, it needs to be available quickly. A helpful starting model would be a review and disbursement plan modeled on the strict timelines for reviews of foreign investment, which allow for rapid decision and assistance.

Interested countries could also contribute to the fund, offering a broader base of funding and signaling their commitment to non-coercive trade practices. Having a rapid response tool to economic coercion would be of practical and symbolic value.

**Enhance U.S. Forward Presence in Australia**

The Biden administration’s Global Posture Review is an enormous opportunity to signal, and demonstrate, U.S. commitment to regional security in ways that will reassure partners and deter potential adversaries. By withdrawing from Afghanistan, the United States and Australia have signaled what they will no longer do. Now is the time to show where they will do more.

Australia’s own strategic logic is driving greater investment in defense facilities in Australia’s north and west, facilitated by a growing defense budget. A practical, funded Australian commitment to invest in and
expand naval facilities in Darwin and the west coast to enable Australian and partner operations could be matched with a greater U.S. naval presence at these facilities, for the purpose of joint activity through the Indian Ocean and up into Southeast Asia.

To impact regional assessments positively, this would need to go well beyond an incremental increase in Marine Corps rotation numbers, as was envisaged in the original Obama-era Force Posture Initiative. Specifically, the United States should forward deploy Navy surface, subsurface, and uncrewed vessels to Australia; expand the Air Force rotational presence to include larger numbers and more frequent presence of high-endurance intelligence, surveillance, and reconnaissance platforms; and increase both Marine and Army presence to facilitate greater training and integration within the alliance.

Early agreement and direction from President Biden and Prime Minister Morrison would enable the administrations in both countries to begin detailed discussions of how to maximize Australia's expanded defense budget and U.S. interest in a more distributed Indo-Pacific presence. These discussions should not be delayed until either side has already finalized their specific plans—history tells us that waiting too long suboptimizes outcomes.

**Invest in Missile Production and Resupply**

The reliable production and resupply of precision-guided weapons are critical aspects of the U.S. and Australian approaches to deterrence and warfighting and a key element of U.S. military presence and alliance cooperation. Current production capacity of precision-guided munitions is inadequate for U.S. forces, and even more so for Australia and other allied nations. Almost all manufacture of these products is centered in the United States with most production lines already maintaining several years of existing orders. It is also noteworthy that even the relatively low use-rates of such munitions for operations in Afghanistan and Iraq put pressure on production.

Australia has funded plans to purchase at least $75 billion ($A100 billion) in guided weapons for Australia's military over the next 20 years. Almost all these weapons will be U.S.-designed missiles, in part because Australia's military is deeply interoperable with the U.S. military. But without new means of production, Australian resupply in times of conflict is vulnerable. At today's level of production, even the U.S. ability to resupply its own forces looks similarly vulnerable.

There is a clear role for joint political direction to drive a new missile production partnership that enables co-production by U.S. and Australian firms of U.S. missile designs in Australia, with both forces operating out of Australia being able to be resupplied from those lines. Australia is already investing in this area, with a sovereign missile initiative upfront investment of around $750 million (A$1 billion). Applying lessons learned from Covid-19 vaccine production could streamline this strategically important cooperative effort. An easy lesson to translate from current Covid-19 vaccine production is that once a crisis arrives, it is too late to create surge capacity.

Joint leadership from President Biden and Prime Minister Morrison to get new missile manufacturing established within the decade in Australia is essential. Without this clear political push, bureaucratic inertia combined with congressional and industrial interests will bog down progress. With this leadership support, there will be economic and security benefits for the militaries, companies, and economies of both countries.

**Now Is the Time to Act**

The Biden administration is at the beginning of laying out its vision and policies for the next four years. The Morrison administration has established a clear vision of where it plans to invest for Australia's future.
Committing to a small number of high-impact actions to move the alliance forward will change the tone in the Indo-Pacific, contribute to stability and security, and lay the foundation for continued close cooperation in the U.S.-Australia alliance for decades to come.

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