

DECEMBER 2022

Growing Challenges, Rising Ambitions

*AUSMIN 2022 and Expanding
U.S.-Australia Cooperation*

EDITORS

Charles Edel
Lam Tran

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A Report of the CSIS Australia Chair

CSIS | CENTER FOR STRATEGIC &
INTERNATIONAL STUDIES

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Introduction

Growing Challenges, Rising Ambitions: AUSMIN 2022 and Expanding U.S.-Australia Cooperation

In September 2021, President Joe Biden declared that the “United States has no closer or more reliable ally than Australia.”¹ The U.S. National Security Council’s Indo-Pacific coordinator Kurt Campbell went further in his comments at the launch of the Australia Chair at CSIS early this year, declaring that “moving forward, everything we do of consequence in the Indo-Pacific, we will do with Australia.”² Such sentiments are indicative not only of how critical the alliance between Australia and the United States has become but also that the alliance is entering a transformational period that has the potential to reinvent how Washington thinks about its relationship with one of its most trusted allies.

On December 6, 2022, the U.S. secretaries of state and defense will host their Australian counterparts, the Australian ministers for foreign affairs and defence, for the 32nd iteration of AUSMIN. AUSMIN, the annual Australian-U.S. Ministerial Consultations, has been held nearly every year since 1985, alternating between the United States and Australia. When Antony Blinken, Lloyd Austin, Penny Wong, and Richard Marles meet in Washington, D.C., they will exchange views on regional and global developments, discuss strategies for how to respond to those developments, and consider how to deepen bilateral cooperation in their foreign and defense policies.

The past several years have seen a profound shift in the U.S.-Australia relationship, but the combination of a broadening bilateral agenda between Australia and the United States, accelerating ties in the Quad partnership (composed of the United States, Australia, Japan, and India), and the creation of AUKUS, the trilateral security partnership between Canberra, London, and Washington

aimed at deepening defense innovation and integration between the three countries, means that the U.S.-Australia relationship will take on increasing significance for how the United States operates in, and beyond, the Indo-Pacific region.

As the stakes have increased and cooperation has deepened, so too has the urgency to define a more comprehensive and robust U.S.-Australia agenda. This CSIS report, *Growing Challenges, Rising Ambitions: AUSMIN 2022 and Expanding U.S.-Australia Cooperation*, sets out to examine where that cooperation could lead. It draws from 22 leading experts who, in individual essays, discuss how Washington and Canberra can elevate, sharpen, and advance the U.S.-Australia relationship. The essays range across economic, technological, diplomatic, development, and defense topics and cover issues such as improving the efficacy of development assistance, bolstering supply chain resilience, offsetting economic coercion, enhancing clean energy cooperation, and expanding diplomatic ventures with Japan, South Korea, India, and Taiwan. The essays describe the state of play on each topic, frame the most important questions and challenges, and lay out practical recommendations for advancing the alliance.

While these essays, and the recommendations each contains, are narrowly constructed around particular ways that the U.S.-Australia bilateral relationship might evolve, they also highlight the need to increase the capacity of both countries to do more in the Indo-Pacific. As Rick Rossow notes in his essay, AUSMIN is a bilateral summit, but its outcomes have implications on the evolving Indo-Pacific security architecture—both for adversaries and for allies and partners closely watching whether and how quickly this key relationship is developing.

Several common threads emerge across this expansive set of essays. The first is ambition. While acknowledging the immense strides that have been taken in the U.S.-Australia relationship over the past several years, none of the experts herein are content with the status quo, and all have creative suggestions for how to push both Washington and Canberra further. Additionally, while AUSMIN is a bilateral meeting, there are dozens of recommendations in these essays for how Australia and the United States can broaden their cooperation with South Korea, Japan, India, the Philippines, the Pacific Island states, and others. On particularly sensitive issues, such as working more closely with Taiwan to support deterrence, the report offers several proposals for advancing U.S.-Australia cooperation in concrete ways. Finally, as both Canberra and Washington have now entered a stage where their prosperity and security will mean asking more of each other, these essays recommend that the alliance directly address hurdles to deepening cooperation.

With all of the new developments in the alliance, there are an increasing number of questions about how exactly the United States and Australia will cooperate. There are some basic questions being asked about what AUKUS is actually going to deliver—and what it will require from government and industry. Beyond that, the conversation for both countries will be driven by the questions of what exactly Washington and Canberra are going to do with the alliance, on what timeline, with which partners, and in which countries.

This report offers one set of potential answers to those questions.

Charles Edell is the inaugural Australia Chair and a senior adviser at CSIS.

Executive Summary

The Australia–U.S. Ministerial Consultations (AUSMIN) is the annual meeting between the U.S. secretaries of state and defense and their Australian counterparts—the Australian ministers for foreign affairs and defence.³ Held almost every year since 1985, the 32nd iteration of AUSMIN will be convened in early December 2022 by Antony Blinken, Lloyd Austin, Penny Wong, and Richard Marles, along with senior military and civilian officials. This year’s meeting takes place against a backdrop of increasing geopolitical and geoeconomic challenges.

AUSMIN 2022 not only is a platform to facilitate dialogue among top leaders from the United States but also can serve as an enabling mechanism—harnessing shared values to propel a vision for the region forward. This CSIS report examines a range of pathways for U.S.-Australia cooperation to evolve and deepen. Covering economic, technological, diplomatic, development, and defense topics, the 18 essays in this report outline the state of play on each topic, frame the most salient questions and challenges, and offer concrete recommendations for advancing the alliance. In all, the contributing experts provide some 70 recommendations to advance and broaden the alliance.

The policy recommendations detailed below are among the many suggestions contained in this report addressing the most critical challenges and opportunities facing the U.S.-Australia relationship. These recommendations are not necessarily consensus viewpoints but rather the suggested approach put forth by individual contributors in the following essays.

Recommendations

Regional Diplomacy: *Although AUSMIN is a bilateral summit, Australia and the United States are focused on the Indo-Pacific region more broadly, which requires both countries to actively coordinate their*

diplomatic engagements in the region. What can they do to deepen ties with key allies and partners like Japan, South Korea, and India? What can they do together in strategically important regions, including the Pacific Islands and Southeast Asia? How can the United States and Australia securely manage rising tensions in the Taiwan Strait?

- **Expedite the commitment to “map existing projects and plan future ones” under the Partners in the Blue Pacific initiative.**
 - **Support digital literacy, infrastructure development, and climate change mitigation and adaptation in Southeast Asia and the Pacific Islands.** The United States and Australia can assist governments with expanding broadband, combatting disinformation, distributing digital public services, and furthering access and inclusion through digital IDs.
 - **Expand educational partnerships and exchanges with the Pacific Islands and Southeast Asia to allow more students to study in Australia and the United States.**
- **Establish an annual security dialogue with emerging partners in South and Southeast Asia to discuss security challenges in Asia, including those related to North Korea, Myanmar, and potential threats in the Indian Ocean and South China Sea.** The dialogue can convene senior government officials to share assessments of regional threats and provide a forum for the United States, Australia, and close partners to coordinate security assistance across the Indo-Pacific.
- **Washington and Manila should invite Australian participation as an observer in the annual meetings of the U.S.-Philippines Mutual Defense Board and Security Engagement Board.**
- **Make Australia a dialogue partner in the event that denuclearization negotiations resume between the United States and North Korea,** given Australia’s role in sanctioning North Korea and building political consensus in the region.
- **Develop a common approach to working with other democratic countries and groupings—such as the D-10—to promote Taiwan’s membership or observer status in international organizations, depending on whether statehood is a requirement of membership.**

Development: *While both Australia and the United States have acknowledged the need to commit more resources to development assistance in the Indo-Pacific, coordination remains a challenge. How can the two governments ensure that their efforts are complimentary? And in addition to bilateral cooperation, what can they do with other allies and partners in this area?*

- **Establish a coordination office tasked with constructing a U.S.-Australia development cooperation roadmap and facilitating the operationalization of the recently signed development cooperation memorandum of understanding (MOU) between the U.S. Agency for International Development (USAID) and the Australian Department of Foreign Affairs and Trade (DFAT).** The office should focus on enabling more agency collaboration between Australia and the United States, more targeted grants in Southeast Asia and the Pacific Islands, and a more coordinated approach when engaging with local leaders and communities.
- **Institute a standing committee within each government that identifies projects of particular national security interest and concern.** This could be the Partnership for Global Infrastructure and Investment coordinator in the U.S. government. This committee would have the ability to bring all government resources to bear on critical projects and coordinate with their counterparts in Australia and Japan on short notice.

- **Allocate a fund specifically to advise and consult with developing nations on the financing, design, sizing, and environmental, economic, and social impacts of a project.** The fund would help inform recipient countries on how to design and evaluate bids—increasing the chance for more private capital and reducing the risk of unsustainable debts.
- **Include relevant development ministers and officials at meetings such as AUSMIN, the Quad, and AUKUS** to elevate and actualize the potential role development can play to achieve security objectives.
- **Work with Japan on the Trilateral Infrastructure Partnership to deliver high-quality infrastructure in the Indo-Pacific.**⁴ Rather than co-finance projects, the three governments should divide up target countries and projects, agree on shared goals and standards, and jointly assess progress through regular trilateral meetings.
- **Revitalize the Blue Dot Network.** Since its creation in 2019, the Blue Dot Network’s impact has been largely minimal.⁵ Nevertheless, its mission is critical. Friendly nations should work to unlock commercial infrastructure opportunities in the region. The Blue Dot Network needs greater senior-level attention, more resources, and much greater connectivity to the private sectors from friendly nations.

Defense: *Against the backdrop of a deteriorating security landscape in the Indo-Pacific, the United States and Australia need to continue to modernize their warfighting capabilities in preparation for a possible future military conflict. How can they ramp up their joint planning to build capabilities, expand munitions, bolster each other’s industrial bases, and enhance both bilateral and multilateral operational readiness? How can AUKUS be optimally implemented to expedite efforts for joint defense innovation?*

- **Establish a joint commission to undertake a rapid but in-depth study of the lessons of the war in Ukraine, with results delivered no later than the first quarter of 2023.** There are many lessons to gather about command and control, joint operations, long-range strikes, coalition support, logistics, and combat. The commission should include military, government, and think tank representatives from the United States, Japan, and Australia.
- **Streamline a planning capacity that enhances alliance resilience.** An initial activity may be expanding the stockpile of precision munitions that must be held in a variety of distributed and protected locations.
- **Convene a U.S.-Australia joint working group with stakeholders from government and industry on guided weapons.** This working group can take this collaboration as a case study to trace and develop a roadmap to tackle challenges posed by the International Traffic in Arms Regulations.⁶
- **Task the Global Engagement Center and its Australian counterpart with developing a report on the tools and tactics China is employing to spread disinformation about AUKUS naval propulsion cooperation.**
- **Expand AUKUS cooperation on specific advanced capabilities to include Japan,** as there is considerable overlap between the AUKUS advanced capabilities agenda and the capabilities Japan seeks as part of its own defense buildup.
- **Initiate a study with Japan and other like-minded partners of political, economic, and military indicators of conflict in the Taiwan Strait.** This review could posit different contingencies, from a full-scale Chinese invasion, to a more limited use of force, to the imposition of a blockade.

- **Establish a new multilateral readiness and training activity, which might be called Return of Forces to the Western Pacific**, to conduct more joint training activities to test the ability of the United States, Australia, Japan, and other partners such as the Philippines to rapidly respond to contingencies in the Western Pacific region.
- **Build up an integrated air and missile defense network incorporating U.S. bases, as well as sites in Australia, Japan, and beyond**, to improve the resilience and survivability of logistic bases and forward deployment locations.

Economy: *The Covid-19 pandemic laid bare vulnerabilities in the global supply chain, and recent events with Russia and Ukraine have further highlighted risks in international trade and economics. How can the United States and Australia better cooperate to deter economic coercion and build more resilience into their supply chains? What joint actions can they undertake to help other countries respond to instances of economic coercion?*

- **Launch digital trade negotiations that advance U.S.- and Australian-preferred rules in the Indo-Pacific**, building on the digital rules in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the U.S.-Mexico-Canada Agreement.
- **Establish a working group on economic deterrence strategy and tools.** Building on the experience of the war in Ukraine, the three governments should use the Trilateral Security Dialogue structure with Japan to share individual experiences of coercion, develop a “playbook,” and coordinate rapid joint responses for future contingencies. The group could be expanded to include other key partners, such as South Korea and India, and mobilize a coalition of countries that have been or could be susceptible to Beijing’s coercion.
- **Consciously incorporate a focus on shaping public narratives on economic coercion practices through diplomatic engagements.** In future communications and joint statements with other partners, both Washington and Canberra should highlight the incompatibility of informal economic coercion with responsible leadership of the international economic order and the need for transparency and rules in governing how states intervene in their economies.

Technology: *Technology is at the heart of strategic competition and great power rivalry, and whether the United States and key partners like Australia can maintain their technological dominance depends on how well they harness each other’s specializations and leverage existing comparative advantages. How can Washington and Canberra develop joint capabilities to deter and impose meaningful consequences for malicious actions in the cyber realm? How can the two countries expedite their technology sharing efforts to foster innovation and keep up with competitors’ rapid pace of technological growth?*

- **Establish a Joint Cyber Working Group led by the National Security Council and its Australian counterpart** to develop a game plan to respond to an attack, a channel to engage with key partners such as the United Kingdom and Japan, and a mechanism to coordinate a diplomatic campaign to manage reactions from adversaries and other countries.
- **Increase Australia’s cyber offense capabilities and refine the doctrine for its use in cooperation with the United Kingdom’s GCHQ and use AUKUS as a platform for technology sharing.**
- **Convene an annual ministerial-level bilateral dialogue on cyber and critical technology between the United States and Australia.** This would elevate and build on the existing Australia-U.S. Cyber Dialogue, which focuses on the combined development of cyber capabilities. The dialogue should expand the discussion to measures to protect critical technology.

- **Conduct a joint review of the U.S. and Australian export control arrangements for critical technologies, including semiconductors, biotechnology, and quantum computing, to reduce barriers to technology transfer for key allies and explore opportunities for regulatory harmonization.**
- **Establish a U.S.-Australia Joint Innovation and Technology Delivery Office involving relevant science, industry, and national security agencies.** The office would be responsible for leveraging existing research and development mechanisms in Australia and the United States and providing co-investment, where necessary, to deliver outcomes for mutually agreed priorities.

Energy: *The need to decarbonize economies and ensure energy security portends opportunities for U.S.-Australian cooperation in critical minerals and clean energy. How can the two countries build up a resilient supply chain for critical minerals and clean energy that complies with high environmental, social, and governance standards? What can they do together to enhance cooperation in research, development, and deployment of clean technologies?*

- **Convene a senior-level U.S.-Australia working group to increase the capacity and resilience of critical mineral supply chains.** Initially, this working group can be tasked with engaging resource-rich third countries and like-minded nations with high environmental, social, and governance (ESG) standards to expand mineral production and processing capacities. The group can also work to facilitate a take-or-pay arrangement to provide the financial guarantees and incentives for private investment in processing capabilities outside of China.⁷
- **Institutionalize a consultative mechanism with other like-minded countries, such as Canada and Japan, to set and promote a global, high-standards framework for sourcing and processing critical minerals and rare-earth metals.** Proactive engagement in standard setting at existing international fora, such as the International Organization for Standardization, is critical to ensure the sustainability of these projects and a level playing field for all market players.
- **Create a U.S.-Australia research and innovation consortium in clean hydrogen with a focus on reducing production cost and exploring the emissions implications of producing, applying, and trading clean hydrogen.** The consortium could include both government and private research entities, such as Australia's Commonwealth Scientific and Industrial Research Organization, the U.S. Department of Energy's national laboratories, and universities.

Regional Diplomacy

Japan

On October 22, 2022, Australian prime minister Anthony Albanese and Japanese prime minister Fumio Kishida met for the fourth time in five months. Standing together in Perth, they issued a new Joint Declaration on Security Cooperation, an upgrade from the original declaration in 2007 and a signal of a rapidly deepening partnership.⁸ The leaders announced that Japan's Self-Defense Forces (SDF) will begin training in northern Australia, where the U.S. Marine Corps also has a regular rotational presence, and together will undertake "more sophisticated joint exercises and operations." They committed to expand information sharing, and to "consult . . . on contingencies that may affect our sovereignty and regional security interests, and consider measures in response," language that deliberately echoes Article III of the Australia-New Zealand-United States (ANZUS) security treaty.⁹

The striking warmth of the meeting highlights that in a region of proliferating minilateral groupings, the trilateral partnership among Australia, Japan, and the United States is by far the strongest—and it is growing stronger. Albanese and Kishida themselves emphasized the importance of this triangle; the joint declaration states that "deepening trilateral cooperation with the United States is critical to enhancing our strategic alignment, policy coordination, interoperability and joint capability." Other regional groupings sometimes get more attention—in particular the Quad—but they are no match for this group's alignment of interests, values, and capabilities.

The 2007 joint declaration focused on North Korea and terrorism as the principal areas of common concern for Japan and Australia.¹⁰ Today, the backdrop is a shared focus on China—although that country is not explicitly named in the declaration. For Canberra and Tokyo, China has become the organizing challenge for foreign and defense policy, and public opinion indicates converging

sentiment. In Japan, a government survey in 2022 found that just 20 percent of respondents hold a positive view of China.¹¹ In Australia, the 2022 Lowy Institute Poll found that 75 percent of respondents believe China is likely to become a military threat in the next 20 years, compared to just 39 percent in 2015.¹²

This shared view of China as the pacing challenge to the rules-based international system is now a foundational element of the trilateral relationship. But despite this convergence of interests and values, the trilateral policy agenda has yet to reach its full potential. Trilateral defense cooperation is the most focused and mature. Defense ministers from the three countries have met at least 11 times, usually at the annual Shangri-la Dialogue in Singapore. In June 2022, they issued for the first time a trilateral “Vision Statement” that sets out broad plans to expand trilateral exercises, deepen cooperation on advanced technologies and strategic capabilities, and “effectively leverage” trilateral information sharing.

The Trilateral Security Dialogue (TSD), a similar forum involving the U.S. secretary of state and the Japanese and Australian foreign ministers, has met with less regularity and to date lacks a defined agenda—although the forum has been useful for coordinating messaging and outreach on key issues.¹³ In August 2022, the three ministers issued a joint statement condemning China’s military exercises around Taiwan.¹⁴

Given its increasingly strong foundation, the trilateral partnership warrants a more robust agenda. Meetings at the leader level are not essential; the Quad is rightly the premier leader-level forum among the region’s leading democracies. But across the three governments, more could be done to leverage their close alignment in pursuit of shared goals.

RECOMMENDATIONS

- 1. Expand AUKUS cooperation on specific advanced capabilities to include Japan.** There is considerable overlap between the AUKUS advanced capabilities agenda and the capabilities Japan seeks as part of its own defense buildup, particularly uncrewed systems as well as hypersonic and counter-hypersonic capabilities; one or more of these areas is ripe for cooperation with Japan. The three AUKUS governments have repeatedly insisted that they will “seek to engage other allies and partners” as their work on advanced capabilities progresses.¹⁵ It is time to make this promise a reality, and it should start with Japan.
- 2. Initiate a trilateral study of political, economic, and military indicators of conflict in the Taiwan Strait.** This review could posit different contingencies, from a full-scale Chinese invasion, to a more limited use of force to the imposition of a blockade. Building a shared understanding now of the likely indicators of conflict will help position the three countries to better cooperate in the event of a Taiwan Strait crisis.
- 3. Launch a working group on economic deterrence strategy and tools.** Building on the experience of the war in Ukraine, the three governments should use the TSD structure to develop a strategy and tool kit with specific actions—including targeted sanctions, export controls, and economic assistance—that could be employed to deter or respond to Chinese coercion in the region. This dialogue could be combined into a larger effort to develop a trilateral “playbook” for addressing China-related contingencies. Over time it could be expanded to include other key regional partners, such as South Korea.

- 4. Institutionalize a regular policy dialogue on security assistance in Southeast Asia and the Pacific Islands.** Past trilateral efforts to coordinate security assistance across the Indo-Pacific have been episodic or stovepiped. Though challenging to execute in practice, given differing systems and procedures for security assistance across the three governments, a regular mechanism for prioritizing and deconflicting programs is critical to maximizing the effectiveness of scarce resources. For the United States, this effort should include stakeholders from both the Departments of State and Defense.

Christopher B. Johnstone is a senior adviser and holds the Japan Chair at CSIS.

South Korea

The Australia–South Korea relationship is firmly grounded in their shared democratic values, strategic interests in promoting an open, rules-based international order, and security partnerships with the United States. Both have shed blood in this mission, fighting on the same side under U.S. leadership in the Korean and Vietnam Wars. The two countries are also prominent liberal democracies in Asia and important middle powers that have contributed public goods to the international community, whether through development assistance or support for the global war on terror.

Perhaps most critically, Australia and South Korea are alike in their twofold challenge of navigating security partnerships with the United States while managing heavy trade reliance on China, particularly at a time of intensifying U.S.-China strategic rivalry. Australia and South Korea have a major stake in the continued U.S. security commitment to their defense and the stability of the U.S.-led liberal international order. At the same time, China is South Korea and Australia’s largest trading partner, surpassing the United States in 2004 and 2005, respectively; in 2021, China accounted for 25 percent of South Korean global trade and 31 percent of Australian global trade.¹⁶

This heavy economic dependence on China has made South Korea and Australia especially vulnerable to Beijing’s targeted economic coercion practices. Most notably for South Korea, China imposed draconian trade sanctions against private companies over Seoul’s decision to host a U.S. missile defense system in Seongju in 2016.¹⁷ In the case of Australia, China imposed an unprecedented wave of trade restrictions that targeted Australian barley, beef, wine, wheat, wool, lobsters, sugar, copper, timber, table grapes, coal, cotton, and liquefied natural gas after Canberra called for an independent investigation into the origins of the Covid-19 virus in China.¹⁸ One might expect countries that share similar interests and alliances to respond in similar measures to China, but that is far from the case. Whereas Australia has pushed back on Chinese coercive behaviors and taken an assertive approach, South Korea, until recently, sought to hedge, accommodating Beijing’s preferences and embracing the idea of strategic ambiguity.

In response to China’s coercive economic retaliation, the Australian government pressed ahead with upgrading regional alliances by forming a Chinese-facing security partnership with the United Kingdom and the United States, known as AUKUS. In contrast, the government under South Korean president Moon Jae-in responded in 2017 to China’s economic coercion by distancing itself from regional alliances, stating that it would not consider additional deployment of Terminal High Altitude Area Defense (THAAD) missile systems, participate in the U.S. missile defense system, or support building the South Korea-U.S.-Japan security cooperation into a military alliance.

The same pattern appears with Australian and South Korean responses to the Quad—an informal partnership among Australia, India, Japan, and the United States that focuses on supply chains, climate, technology, and global health. Whereas Australia is a member and refers to the Quad as “a key pillar in Australia’s foreign policy,” South Korea effectively preempted an invitation by U.S. president Joe Biden’s administration to join the grouping.¹⁹ Likewise, when former U.S. president Donald Trump’s administration unveiled its Free and Open Indo-Pacific (FOIP) strategy in 2017, Australia synchronized its foreign policy with this new strategy; on the other hand, the Moon government was reticent to integrate FOIP into its foreign policy agenda or make public statements of support to avoid antagonizing China.²⁰

In 2018, Australia became the first country (even before the United States) to exclude the Chinese technology company Huawei from its 5G rollout. South Korea—arguably the country at the forefront of 5G network deployment and the first to launch commercial 5G services—has largely delegated to individual companies the decision to include or exclude Huawei technology and components.

Of course, allies often disagree. The point of highlighting these divergences in Australia and South Korea’s responses to China is not to champion Australia as a faithful ally or denigrate South Korea for not blindly following the United States. On the contrary, Canberra’s decision to side with Washington was based on a sovereign and independent calculation of its national interests, as was Seoul’s decision to side with China. The significance of the different policies from Seoul and Canberra is the extent to which these government positions truly represent the broader public policy consensus in each country: Canberra’s position does, for the most part, but Seoul’s, to be blunt, does not. Australia saw the sharpest increase in negative views about China of any country surveyed by Pew Research Center in 2020, with 81 percent of Australians seeing China unfavorably.²¹ By contrast, the Moon government appeared out of step with public opinion, with 75 percent of Koreans reporting unfavorable views of China in the same survey.²²

The response to China’s rise by the U.S.-Australia alliance has been exemplary among like-minded partners balancing different economic and security equities. The U.S.-Australia alliance can further deepen its strength and broaden its scope by taking on greater regional roles as exemplified by the U.S.-Japan-Australia Trilateral Security Dialogue (TSD) and the bilateral Australia-Japan security declaration. The new governments in Seoul and Canberra offer an opportunity to improve bilateral and trilateral relations among the three allies. In particular, the government under South Korean president Yoon Suk Yeol has expressed a more skeptical view of China and a greater willingness to be an outspoken supporter of the liberal international order. Rather than remain at arm’s length to regional multilateral initiatives led by the United States, Australia, and Japan, South Korea has voiced interest in actively engaging in the Quad, Chip 4, FOIP, and other groupings.

Encouraging and supporting South Korea to participate in these like-minded efforts would provide a significant boost to U.S.-Australia efforts to uphold the liberal international order. Washington and Canberra should seek to engage South Korea in the following ways to achieve these objectives:

RECOMMENDATIONS

- 1. Make Australia a dialogue partner in the event that denuclearization negotiations resume between the United States and North Korea**, given Australia’s role in sanctioning North Korea and building political consensus in the region.

2. **Establish a senior bilateral (Australia and South Korea) or trilateral (including the United States) working group to consult on diversifying trade partners and bolstering supply chain resilience in response to Chinese economic coercion practices.** Australia can share with South Korea its experiences about how to blunt Chinese coercion.
3. **Establish trilateral or quadrilateral (involving Japan) consultations on security challenges in Asia, including those related to North Korea and Myanmar.** These consultations could develop discussions on AUKUS as well as on South Korea's experience and technical expertise on civilian nuclear energy.
4. **Establish an annual track 1.5 dialogue that aligns South Korean and Australian strategies on official development assistance,** as South Korea is among the most active in this space among OECD countries.
5. **Model a South Korea-Australia bilateral security declaration** on the declaration between Australia and Japan.²³
6. **Institutionalize the Asia-Pacific Four (AP4) grouping based on the four countries' participation in the 2022 NATO summit in Madrid.** The grouping should focus on defending the rules-based international order by enhancing dialogue and cooperation on shared security challenges in the Asia-Pacific region, including cyber and maritime security, non-proliferation, new and emerging technology, and climate change. An institutionalized AP4 grouping will also be well positioned to discuss strategies to improve resilience against the use of coercive geoeconomic measures in the region.
7. **Develop track 1 and track 1.5 bilateral and trilateral dialogues on a Taiwan contingency.**

There is no denying that this is an ambitious agenda, but it is one that broadens and deepens a regional security architecture that underpins the goals of the U.S.-Australia alliance. Deliberate and coordinated engagement with South Korea can support the liberal international order, peace, and stability in an environment that has become increasingly uncertain with the war in Europe and China's growing assertiveness.

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India

While AUSMIN is a bilateral summit, its outcomes have a broad impact on the fast-evolving security architecture in the Indo-Pacific region. U.S. adversaries will watch the proceedings to see if the United States and Australia tangibly expand their security linkages, and U.S. regional allies and partners will watch for signs of how the Biden administration's interest and approach to the Indo-Pacific are unfolding.

One such partner is India. The United States and Australia are now among India's most significant strategic partners, which means their bilateral cooperation will impact New Delhi's interests in deepening its partnership with both nations. Strengthening cooperation with India is new and challenging for both the United States and Australia. India does not want to feel like an afterthought

as traditional powers look at the future of Asian security and forge pathways for cooperation. Much as the centrality of ASEAN has been echoed in joint statements for the last decade, India will want to see thoughtful approaches to its region in the decade ahead.

India is excited to be a founding member of the Quad, an emerging power bloc in the Indo-Pacific. The announcement of the AUKUS partnership in September 2021 triggered some concerns that the United States may reserve its substantive security cooperation in the region to its traditional allies such as Australia.

Regional cooperation will focus on three key elements: military cooperation, economic linkages, and development assistance. Some important considerations for the AUSMIN summit, as it relates to India, include the following:

- **Military cooperation:** India enjoys expanding military ties with the United States and Australia, but it has a different geographical threat prioritization. India's primary concerns include China's encroachment on its land border areas and expanding presence in the Indian Ocean region.²⁴ Any AUSMIN statements on security threats and cooperation should not be limited to the Pacific.

Separately, the United States and Australia should keep counterterrorism cooperation as part of their discussions. Overall, U.S. security concerns are shifting back to tensions between major powers such as China and Russia. But a major part of India's security threats relates to persistent terrorist acts against the Indian homeland and Indians living abroad.²⁵ While security cooperation related to state-driven threats will be reprioritized in the relationship, India will want to see traditional powers remain partners in countering terrorism in the region.

- **Economic linkages:** India has a broad commercial relationship with the United States, and commercial links with Australia are expanding. Following the multiple angles of strategic-commercial cooperation highlighted by the Quad, the United States and regional partners need to do more to engage the private sector to ensure secure and resilient supply chains. The United States and Australia have critical roles to play with private firms in areas such as rare-earth metals and other critical minerals as both nations look to fill commercial space heretofore dominated by Chinese companies. Providing an alternative source of such materials will help India. The same applies to other sectors, such as pharmaceutical ingredients and critical technologies. Recent legislation in the United States such as the Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act of 2022 and an expanding list of trade restrictions on Chinese products such as semiconductors could provide space for private players to grab a larger share of global markets.²⁶
- **Development assistance:** Developing nations throughout the region are looking for partners on issues such as infrastructure development and healthcare delivery. Here again, the United States and Australia can play a critical role but must ensure close cooperation with partners and allies such as India, particularly when engaging smaller nations in India's region. Although the United States and Australia cannot give India a veto on programs in South Asia and the eastern Indian Ocean region, they should consult India regularly and look for ways to coordinate, if not collaborate.

The Quad has become a key platform for the United States, Japan, India, and Australia to engage on economic linkages and development assistance. However, military cooperation is not yet a direct part of the Quad's agenda, largely due to India's intransigence. Among other reasons, the Indian government is concerned that the other three Quad nations prioritize the Pacific threats over its security concerns.

Managing rising threats in the Indian Ocean region, such as the increasing Chinese military presence and persistent terrorism threats, is where the United States and Australia could build a stronger security partnership with India. Japan is already occupied with other threats lying closer to its shores in the East China Sea and is hence unlikely to have the willingness and capacity to project power into the Indian Ocean. As the United States and Australia outline the challenges and opportunities that drive their bilateral relationship, leaders must ensure they engage important emerging partners such as India and acknowledge the challenges India faces when determining how to engage in the region.

The AUSMIN summit will be closely watched by Indo-Pacific nations bent on destabilizing the region's peace and security. The summit will also be important to emerging U.S. and Australian security partners such as India, which wants to see its interests being integral to the partners, even when Indian diplomats are not present for discussions. Moments such as these will cement cooperation.

RECOMMENDATIONS

- 1. Convene an annual security dialogue with emerging partners such as India.** The dialogue can include senior government officials, share assessments of the specific threats likely to arise in the Indian Ocean—including potential acts of terrorism—and recommend the right mix of tools for mutual support. The agenda can include cooperation in areas such as intelligence, diplomacy, and defense technology.
- 2. Build a high-standards framework for sourcing and processing critical minerals and rare-earth elements.** China has dominated this market in part through its lax environmental regulations and implementation of those regulations. By promoting a shared set of standards for mining and processing these minerals, the United States and Australia can expand and diversify the supply chain—benefiting India as a consumer and potential producer of such minerals.
- 3. Revitalize the Blue Dot Network.** Since its creation in 2019, the Blue Dot Network's impact has been largely minimal.²⁷ Nevertheless, its mission is critical. Friendly nations should work to unlock commercial infrastructure opportunities in the region—particularly strategic infrastructure across the Indian Ocean Region. The Blue Dot Network needs greater senior-level attention, more resources, and much greater connectivity to the private sectors from friendly nations.

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Southeast Asia

The United States and Australia maintain deep economic, diplomatic, and security ties in Southeast Asia. Washington and Canberra have increasingly aligned their efforts in the region with some success. On the diplomatic front, the two often work in concert in regional forums such as the East Asia Summit. Their shared support for the centrality of the Association of Southeast Asian Nations (ASEAN) is evidenced by the fact that the United States in November joined Australia and China as ASEAN's only comprehensive strategic partners. The Quad, which also includes India and Japan, is taking on an increasingly important role in coordinating diplomatic and economic efforts in the region as well. Despite ongoing concerns in some Southeast Asian capitals that the Quad might undermine ASEAN centrality, the newer grouping has gone to great lengths to appear complementary to, rather than competitive with, ASEAN. Rather than

focus on security issues, which would alienate some in the region, the Quad's work streams so far focus on delivering public goods, such as vaccines and critical infrastructure.

Australia and the United States largely align when it comes to economic rulemaking, from trade and investment to new areas such as digital governance. Canberra, however, has proven far more consistent and strategic in its trade policy. Australia joined the United States in negotiating the Trans-Pacific Partnership. But when the United States abandoned the agreement, Canberra joined Tokyo and other partners to give the pact a second life as the Comprehensive and Progressive Agreement on Trans-Pacific Partnership. Unlike the United States, Australia joined the Regional Comprehensive Economic Partnership—which was initiated by ASEAN and includes China—and Beijing's Asian Infrastructure Investment Bank, determining in both cases that it is better to be on the field than abandon it to China. Australia is now also one of the 14 negotiating parties in the U.S.-initiated Indo-Pacific Economic Framework for Prosperity, alongside seven Southeast Asian countries.²⁸

When it comes to security ties, Australia and the United States are engaged in largely complementary activities. Both invested heavily in counterterrorism capacity-building and information-sharing partnerships across the region following the 9/11 terrorist attacks and the 2002 Bali bombings. That cooperation remains particularly robust in the Philippines, where U.S. and Australian support played an important role in the 2017 siege of Marawi by Islamic State-affiliated fighters.²⁹ In the wake of that crisis, Australia markedly increased urban warfare and counterterrorism training for the Armed Forces of the Philippines.³⁰ The other area of regional focus for Washington and Canberra is maritime security. Both take part in an increasingly thick web of bilateral, trilateral, and multilateral naval and air exercises across the region. They are both focused on building up the maritime capacities of partner nations, and both engage in direct patrols on or above the South China Sea to push back on Beijing's excessive claims.

Disconnects between U.S. and Australian approaches to Southeast Asia are matters of prioritization. As direct neighbors, Indonesia and Australia have had, at times, a fractious relationship, which has traditionally taken up the largest part of Canberra's strategic attention in the region. In terms of priority, Indonesia is followed by Singapore and Malaysia, which are both fellow members of the Five Power Defense Arrangements with long-standing security ties to Australia. Vietnam, Thailand, and the Philippines have been seen as lower priorities.

U.S. prioritization of these regional relationships is a bit different. The Philippines, as a former colony and the oldest U.S. ally in the region, has historically enjoyed the greatest attention from Washington. That focus drifted after the eviction of U.S. bases from the country in 1992 but has reemerged over the last two decades. Singapore and Vietnam enjoy the next-highest level of U.S. policy focus, and it is in these two places that Australia and the United States are probably most closely aligned. Indonesia, by dint of size and selective alignment on counterterrorism and maritime security, receives plenty of focus in Washington but has nowhere near the preeminence it enjoys in Australian strategic circles. Thailand and Malaysia remain important U.S. partners but are not particularly aligned with the United States on the most pressing issue of the day—China.

The place where U.S. and Australian priorities in the region are least in sync is the Philippines. The Biden administration implicitly recognizes deepening the alliance with the Philippines as its top regional priority because the Philippines and Singapore are the only two partners in the region that might reasonably be expected to stand with the United States and other allies in a crisis involving

China. In a South China Sea or Taiwan contingency, Philippine support could be a deciding factor. In this regard, Australia continues to give its relationship with the Philippines too little weight.

Washington and Canberra will never align perfectly in their approaches to Southeast Asia. Nor should they, given differing historical relationships and capabilities in the region. But Australia needs to deepen its diplomatic and security linkages with the Philippines to help cement the latter's emergent role in the broader regional alliance network that is pushing back on Chinese revisionism.

RECOMMENDATIONS

- 1. The United States and the Philippines should seek to boost Australian involvement in joint exercises such as Balikatan**, which currently involves only a small number of Australian Defence Force personnel.
- 2. Washington and Manila should invite Australian participation as an observer in the annual meetings of the U.S.-Philippines Mutual Defense Board and Security Engagement Board.**
- 3. Australian leaders should prioritize high-level engagements with Manila** and spend at least as much time there as they do in Jakarta.
- 4. The United States and Australia should leverage their roles as the only security partners with Status of Forces Agreements with the Philippines** by prioritizing training, capacity building, and contingency planning activities that encourage a greater Philippine role in the regional alliance network alongside Japan.

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Pacific Islands

Closer alignment between Washington and Canberra comes at a time when both capitals have awakened to the strategic importance of the Pacific Islands and devoted unprecedented levels of attention to the region. China's efforts to exert influence throughout the region, epitomized by the security pact signed with the Solomon Islands in April of this year, have raised alarm bells in the United States and Australia and triggered a flurry of diplomatic engagement with Pacific partners over the past year.³¹ But framing Washington and Canberra's revitalized focus on the Pacific solely through the lens of great power competition understates the long-standing security, economic, and people-to-people ties that the United States and Australia have cultivated and maintained with the region.³² And ultimately, enhancing U.S.-Australia cooperation to foster stability, economic development, and environmental resilience in the Pacific will be both a driver and a desired outcome of the deepening alliance.

The United States and Australia are engaged in a wide array of complementary activities in the Pacific Islands—unilaterally, bilaterally, and multilaterally. Australia is a member of the Pacific Islands Forum (PIF), a signatory to the Pacific Agreement on Closer Economic Relations Plus agreement, and the region's top donor of development assistance.³³ Meanwhile, the United States stands as a founding dialogue partner of the PIF, engages with Pacific leaders on economic issues through Papua New Guinea's membership in the Asia-Pacific Economic Cooperation and Fiji's inclusion in the Indo-Pacific Economic Framework for Prosperity, and remains a key provider of development assistance

and capacity building for the region.³⁴ While Canberra has traditionally focused its attention on the Melanesian subregion, and Washington maintains its strongest ties in Micronesia, the two capitals have increasingly focused on building a shared, coordinated, and complementary approach to the region as a whole.

An exemplary manifestation of this cooperation is the Partners in the Blue Pacific (PBP) initiative launched in 2022 with Japan, New Zealand, and the United Kingdom.³⁵ While the initiative provides a much needed platform for the United States and Australia to coordinate their engagement in the Pacific with key allies and partners, the PBP has also sparked concerns over its potential impact on existing regional processes, including the PIF.³⁶ The PIF has itself just emerged from an internal crisis following the threatened—and subsequently paused—withdrawal of five Micronesian nations from the body (Kiribati being the sole country to follow through on its withdrawal).³⁷ Yet, despite these ongoing issues, the PIF remains at the core of Pacific regionalism, and its survival is critical to the region’s aspirations and ability to affirm and protect Pacific sovereignty.³⁸ Consequently, the United States and Australia must demonstrate that the PBP supports rather than undermines the role of the PIF and that it can deliver tangible benefits and public goods while respecting and helping to consolidate the existing regional architecture.

While the Biden administration’s recent Pacific Partnership Strategy and U.S.-Pacific Island Country Summit are positive initial steps forward, Washington still faces headwinds in building out its ties to the region.³⁹ Although U.S. and Australian engagements in the Pacific are driven in part by concern over China’s growing influence, playing into these narratives and rooting U.S. and Australian approaches in geostrategic competition will alienate Pacific Island nations who seek to avoid becoming pawns.⁴⁰

In addition, for the United States, one key challenge in the region will be completing ongoing negotiations with Micronesia, the Marshall Islands, and Palau on renewing the Compacts of Free Association (COFA), which are set to expire in 2023 for the Marshall Islands and Micronesia and in 2024 for Palau.⁴¹ With negotiations between the United States and the Marshall Islands stalled over nuclear legacy issues, Washington should focus its efforts on addressing Marshallese concerns in pursuit of renewing the COFA agreements.⁴²

Meanwhile, for Australia, climate change remains an issue of contention between Canberra and the Pacific Islands, even as the Albanese government signals its commitment to climate issues.⁴³ Australia remains among the world’s top coal exporters despite repeated calls from the Pacific Islands for the country to pause new coal or gas projects.⁴⁴

Focusing more resources on climate issues, including through the U.S. International Development Finance Corporation, will be fundamental to revitalizing and strengthening U.S. and Australian ties with the Pacific. The PIF’s 2018 Boe Declaration on Regional Security describes climate change as the “single greatest threat to the livelihoods, security, and well-being of the peoples of the Pacific,” and Pacific Islands countries have played a leading role in alerting the global community to the existential nature of the climate crisis.⁴⁵ U.S. and Australian approaches to the region will ultimately be assessed by the extent to which they reflect this urgency and prioritize climate resilience and emissions reduction initiatives. The United States and Australia must place climate change at the heart of their engagement with the Pacific and continue to finance initiatives that enhance resilience while also making progress on their own emissions commitments. These efforts should be designed with durability and continuity in mind so they can survive even if political winds shift in Washington and Canberra.

RECOMMENDATIONS

1. **Conduct a joint assessment of U.S. and Australian climate assistance to the Pacific Islands** to identify key gaps and areas of opportunity.
2. Given challenges related to press freedom in the region, the United States and Australia should **collaborate to develop skills training, capacity building, and fellowship programs for rising Pacific journalists.**
3. Building on the recent announcement of the Indo-Pacific Partnership for Maritime Domain Awareness program, **Australia should facilitate additional information-sharing arrangements between the Pacific Fusion Centre and relevant international actors,** including the UN Office on Drugs and Crime.
4. **The United States should pursue partnerships between U.S. universities and educational institutes in the region,** including the University of the South Pacific, encouraging and enabling greater people-to-people exchanges with emerging scholars from the region and creating educational opportunities for U.S. students that seek to specialize in the Pacific Islands.

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Taiwan

Managing and responding to increased tensions over Taiwan has become both more important and more urgent. The August visit to Taiwan by Nancy Pelosi, speaker of the U.S. House of Representatives, and her declaration of “ironclad” support for Taiwan’s democracy, led to a prolonged demonstration of China’s military options against Taiwan.⁴⁶ This included ballistic missile launches over the island, air and naval operations across the median line, unprecedented cyberattacks, and month-long live-fire drills and exercises in the seas and airspace around the island. With President Xi Jinping re-elected as the Chinese Communist Party’s leader for another five-year term in October, his warning that the “wheels of history” are turning toward “reunification” suggests Chinese moves to forcibly seize Taiwan will become more likely over the next few years.

For Australia, the war in Ukraine has been instructive. The declaration of a “no limits” partnership between Xi Jinping and Vladimir Putin weeks before the Russian invasion of Ukraine has reinforced the public’s support for the U.S.-Australia alliance and increased the popular appetite for countering authoritarian expansionism in the region. For example, in the June 2022 Lowy Institute Poll, 65 percent of Australians viewed China’s foreign policy as a critical threat to Australia’s vital interests, representing a 29-point increase from 2017.⁴⁷ In a later October poll by the United States Studies Centre, almost half of the Australian respondents (46 percent) approved of sending Australian military forces to help the United States defend Taiwan, and 61 percent supported the economic isolation of China should war break out. Beijing’s ongoing economic coercion of Australia has also undoubtedly influenced public sentiment on the importance of resisting growing Chinese influence in the region.⁴⁸

These movements in domestic attitudes give momentum to those in the government advocating for more robust and forward-leaning strategic positions on China. To be sure, the government under the Australian prime minister Anthony Albanese has shown no signs of diverting from Australia’s long-standing position of “strategic ambiguity” in the event of a Taiwan crisis. In a November 2021 speech,

Penny Wong, now minister of foreign of affairs, identified a conflict in the Taiwan Strait as “the greatest risk to peace, stability, and prosperity in our region.” She further confirmed that her government would be “maintaining [a] position of strategic ambiguity” regarding Australia’s response to such a conflict while endorsing the long-standing and bipartisan policy “to deter unilateral changes to the status quo.”⁴⁹

Nevertheless, the new Albanese government supports measures to deter China from contemplating the use of force.⁵⁰ There has been some debate in the United States—less so in Australia—about whether the United States should maintain or abandon the policy of “strategic ambiguity” with regard to its response to the possible use of force by China against Taiwan. Either way, the key element to deterring China is whether the United States and its allies are able to credibly demonstrate adequate capability to impose prohibitive or damaging costs on China in the event of a military conflict. It is the U.S. and allied capability to respond effectively to Chinese military aggression that will cause Beijing to reconsider the potential risks and costs of an attack on Taiwan.

Indeed, China is most likely to initiate military action against Taiwan if the former believes such action will result in a quick victory with minimal losses. This is more likely if the United States and its allies do not have the capability to enter the theater of war in time or are unable to inflict significant damage to the People’s Liberation Army. In short, it is critical that the United States and its allies are able to build up and position their military capabilities to complicate Beijing’s calculations.

The need to develop and position such capabilities in the short to medium term (i.e., within this decade) was first underlined in the 2020 Defense Strategic Update.⁵¹ This led to Canberra’s call for the establishment of AUKUS and is now informing the Albanese government’s comprehensive review of both Australian Defence Force posture and structure, which is due to be completed by March 2023. Much of this activity is about resisting Chinese expansion and aggression more broadly, but it is also made on the basis that should the United States intervene in a Taiwanese contingency, Australian support will likely be called upon. The clear task is for Australia to work with the United States to stabilize the military balance in the Taiwan Straits and make clear to Beijing that any military action against Taiwan will jeopardize, if not devastate, Xi’s goal of national rejuvenation.

AUSMIN 2022 will undoubtedly focus on the joint development of necessary capabilities within this decade, in addition to the longer-term goal of helping Australia to acquire nuclear-powered submarines. However, there are other issues that ought to be discussed.

The first issue concerns ways to accelerate the inclusion of Japan as a defense partner in the development of asymmetric capabilities to further complicate Chinese strategic and tactical decisionmaking. Japan is an ideal candidate given its geographic proximity to Taiwan, declared intent to increase defense spending and modernize its forces to meet contemporary threats from China and North Korea, and its position as the only other regional ally that has indicated a willingness to join U.S. operations in a Taiwan contingency. Although the recent Japan-Australia Joint Declaration of Security Cooperation signed in Perth is not a binding defense treaty, the commitment to consult each other if their territorial or strategic interests are threatened is remarkably similar to obligations in the Australia, New Zealand, and United States Security (ANZUS) Treaty.⁵² The AUSMIN talks should discuss ways to expand and institutionalize military and strategic cooperation with Japan—for example, trilaterally or in an AUKUS-plus-one arrangement—especially on Pillar 2 of AUKUS on critical and emerging technologies.

The second issue that should be discussed at AUSMIN 2022 is in the nonmilitary realm, namely proactive cooperation to support and advocate for Taiwan's membership in organizations where statehood is not required, and for observer status in organizations where it is. China has significantly shrunk Taiwan's diplomatic space in recent years, weakening its ability to promote the political and economic interests of its people and reducing the number of external states with a stake in its future.

The less international and institutional space Taiwan is allowed to operate in, the fewer complications China has in subjugating and eventually seizing the island. Discussing a common approach to increasing the international role and presence of Taiwan ought to be on the AUSMIN agenda. This could include the United States and Australia talking about a joint approach to working with other democratic countries and groupings—such as the D-10 group of democratic countries—to counter the Chinese strategy of delegitimizing Taiwan as a de facto autonomous entity.

The U.S.-Australia alliance has a powerful demonstration effect for the Indo-Pacific, in which AUSMIN is one of the key meetings. A successful and productive AUSMIN indicates to others that the U.S.-led system of alliances and partnerships can adapt to meet the challenges posed by China and that it remains a force for peace and stability. The Taiwan Strait has emerged as the most likely theater for conflict involving China this decade. An AUSMIN that responds constructively and creatively to the important and urgent task of deterring China from using force is a powerful demonstration of U.S. and allied leadership, relevance, and the determination to constructively pursue shared interests.

RECOMMENDATIONS

- 1. Discuss ways to expand and institutionalize defense cooperation with Japan, particularly in the joint development of critical and emerging technologies (AUKUS Pillar 2), either trilaterally or via an AUKUS-plus-one arrangement.** Improving U.S., Australian, and allied capabilities to respond effectively to Chinese military aggression is critical to changing Beijing's calculations about the potential risks and costs of an attack on Taiwan.
- 2. Develop a common approach to working with other democratic countries and groupings—such as the D-10—to promote Taiwan's membership or observer status in international organizations, depending on whether statehood is a requirement of membership.** Doing so will counter Chinese efforts to shrink the international institutional space Taiwan is allowed to operate in and diplomatically complicate China's attempts to seize the island.

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Development

Foreign Assistance and Development Aid

The United States and Australia have a unique opportunity to deepen their partnership in foreign assistance and development in the Indo-Pacific, specifically in the Pacific Islands and Southeast Asia. At present, the Pacific Islands and Southeast Asia face pressing concerns, such as the continuing impacts of the Covid-19 pandemic, a looming debt crisis, climate change, and the implications and geopolitics associated with great power competition between the United States and China. Together, the United States and Australia should collaborate to respond to the hopes and aspirations of the people of the Indo-Pacific.

The Covid-19 pandemic has created disproportionate and enduring economic damages for Southeast Asia and the Pacific Islands, especially for the financial sector and the tourism industry (which for many Pacific Island countries is one of the few viable and job-producing sectors).⁵³ In addition, the region's rising cost of living and mounting debt have posed challenges to financial security, sovereignty, and debt sustainability. For example, Palau's public debt has increased by 60 percent since 2019 and is expected to double by 2025.⁵⁴ Limited digital and physical infrastructure also prevents the use of public services such as mobile payment systems.⁵⁵ Lack of internet access is an additional barrier to development, and for those who are online, the rise of digital authoritarianism in Southeast Asia carries the risk of violating human rights.⁵⁶

Climate threats impact the livelihoods, security, and well-being of Pacific Islanders. For example, in the Pacific Islands, rising sea levels are partially submerging low-lying islands, saltwater incursion is impacting local food production, and islands such as Kiribati are facing a severe shortage of fresh water.⁵⁷ Between 2015 and 2019, 32 million people in Southeast Asia were displaced because of climate-related disasters.⁵⁸

Moreover, the Indo-Pacific's development needs are a matter of great power competition and security. In the last decade, China increased its presence globally via foreign policy and investment.⁵⁹ In the first five years of the Belt and Road Initiative (BRI), China invested over \$500 billion in projects throughout Southeast Asia.⁶⁰ China's economic power persuaded countries such as Kiribati and the Solomon Islands to no longer recognize Taiwan and to host BRI projects instead.⁶¹

Building off recent partnership announcements, the United States should collaborate closely with Australia and local governments on development issues in the Pacific Islands and Southeast Asia. For example, in 2020, USAID and Australia's DFAT signed an MOU on development cooperation, and in October 2022, the U.S. International Development Finance Corporation—alongside DFAT, Export Finance Australia, and the Japan Bank for International Corporation—renewed the Trilateral Infrastructure Partnership.⁶²

In the Pacific Islands, Australia, Japan, the Asian Development Bank, the World Bank, and even New Zealand all provide more funding and have more resources on the ground than the United States. Australia has been the largest donor to the Pacific Islands, spending over \$864 million in 2019, and the Labor government has also committed to increasing Australian aid to Pacific countries by \$900 million cumulatively in the next four years in its recently announced mini-budget.⁶³

The United States' re-engagement in the Pacific Islands presents an opportunity to strengthen U.S. commitment in the region for the coming decade. In August 2022, USAID released a five-year strategic framework to help build communities resilient to climate change and capable of responding to corresponding economic shocks.⁶⁴ In September 2022, the Biden administration launched the Pacific Partnership Strategy to help build capacity and infrastructure and deploy a coordinated approach to development with key allies, including Australia.⁶⁵ Moreover, during the first-ever U.S.-Pacific Island Country Summit, held on September 28 and 29, 2022, the White House announced \$810 million in new funding for the Pacific Islands, in addition to the over \$1.5 billion spent over the past decade.⁶⁶

These initiatives and partnerships are important first steps for collaboration between the United States and Australia to drive sustainable growth and development in the Indo-Pacific. Together, both countries should work with regional partners to implement practical policies that address relevant development challenges.

RECOMMENDATIONS

- 1. Convene a senior-level U.S.-Australia working group tasked with identifying pathways toward operationalizing the recently signed development cooperation MOU between USAID and DFAT.** This can include more agency collaboration between Australia and the United States, more targeted grants, and a more unified approach involving local Pacific leaders.⁶⁷
- 2. Support digital literacy, infrastructure, and post-pandemic recovery in Southeast Asia and the Pacific Islands.** The United States and Australia can assist governments with expanding broadband, combatting disinformation, distributing digital public services (e.g., mobile payment systems), and furthering access and inclusion through digital IDs.⁶⁸
- 3. Expand educational partnerships and exchanges with the Pacific Islands and Southeast Asia to allow more students to study in Australia and the United States.** Educating the next cadre of leaders will not only be transformational for these countries but also strengthen future alliances with these regions.

4. **Work with Pacific Island governments to identify areas where the United States and Australia can be most helpful with their soft-power resources.** Developed by Pacific Island governments, the 2050 Blue Pacific Strategy should be the template Australia and the United States use to advance goals of prosperity, resilience, regional connectivity, and inclusive governance.⁶⁹
5. **Work together on climate change-related challenges in the Pacific Islands.** Targeted grants on climate finance—particularly on resilient infrastructure—would help bolster livelihoods and ameliorate climate change impacts.⁷⁰ Additional considerations should be placed on the reduction of greenhouse gas emissions, the rescue and relocation of climate refugees, and the importance of digital governance in the face of natural disasters.
6. **Australia should consider setting up its own development finance institution (DFI).** Foreign aid will not be enough to address the development needs and aspirations of these countries and is also unsustainable in the long run. Most members of the Organization for Economic Cooperation and Development (OECD) have set up their own DFIs—institutions that leverage financial tools that go beyond aid (e.g., equity investments, loans, guarantees, and blended finance) to attract private capital and develop the private sector in developing countries. An Australian DFI will add more instruments to its development cooperation toolbox and allow more collaboration not only with G-7 governments but with the private sector—the main engine of innovation, technology, and jobs worldwide.

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Development Interoperability

There is an aid and development renaissance rippling through both Washington and Canberra. Interest from state leaders in international development is a telling indicator of a major global tipping point. Not since the heady days of the Marshall Plan has development taken such a prominent position in foreign policy as it has over the past year following the announcement of China's security pact with the Solomon Islands.⁷¹ For Canberra in particular, aid and development have been wrenched from the boutique to the mainstream of Australian statecraft, taking their place at the core of Australian influence in the Pacific Islands.

To the people of the Pacific Islands, development is the language of life—it boils down to jobs, justice, getting kids into schools, and securing medical assistance for families when they need it. It is about having a place for future generations to live in the face of climate change. Governments who understand that need and are prepared to back the developmental leadership aspirations of the Pacific Islands will naturally be welcomed friends in the region. But for strategic circles in Western capitals, there is a risk that talks of development are motivated by growing Chinese influence and often reduced to funding projects that purport to cultivate elite relationships. At its worst, this translates into nations looking to purchase short-term influence and treating the Pacific Islands as a theater of geostrategic competition—a sure-fire way to lose the trust and relationships that are the bloodlines of the region. As the United States strategizes its growing presence in the Pacific, this lesson has been shared by Australian leaders.⁷²

As the language of development has become the language of international relations between Washington, Canberra, and capitals of the Pacific Islands, policymakers have drawn the natural conclusion that the U.S.-Australia alliance should sprout a development dimension.⁷³

The political rhetoric could not be clearer. In October, Pat Conroy, Australia's minister for international development and the Pacific, met Samantha Power, administrator of USAID, in Washington.⁷⁴ Following those talks, Power's spokesperson said she wanted to "identify concrete opportunities" for USAID and DFAT to "advance shared objectives." Both countries are increasing their bilateral activities. Most recently, in its October mini-budget, Australia added another \$900 million in aid to Pacific countries, which will be spent over the next four years, while in September the Biden administration hosted the U.S.-Pacific Island Country Summit.⁷⁵ Both countries are increasing their engagement in Pacific Island regional and minilateral fora as well, including through the Pacific Islands Forum and September's Blue Pacific Joint Statement forecast.⁷⁶

The United States and Australia are natural allies for cooperation in the Pacific Islands. Australia has the scale, presence, relationships, and regional expertise. The United States has comparative advantages in its development portfolio, such as in technology, and a welcomed injection of additional budgetary support. But beyond the rhetorical commitment that U.S.-Australia development cooperation is common sense and high priority, there has been minimal concrete development in terms of practical cooperation on projects. The big question is: When will talk translate into traction?

There are MOUs aplenty, both nations' most senior leaders are committed to cooperation in the Pacific, and USAID has posted its first officer to Canberra. Usually, when bureaucracies get stuck, one can point to a lack of political leadership. That is not the case here. Instead, there are three possible barriers.

First, U.S.-Australia interoperability is often overestimated in relation to development. The bilateral security relationship has this covered, with interoperability baked into decisionmaking at nearly every level through information sharing, joint exercises, and people exchanges. This does not happen in the development space, though there is an assumption that it does.

Second, there is little incentive for busy bureaucrats to add bilateral cooperation to their plates, and no resources are committed to making it happen. Development cooperation is not without its transaction costs. It takes time, relationships, shared world views, and substantial planning.

Finally, there may be a degree of pride getting in the way, with both nations seeing the other's efforts in the region as sub-par compared to their own. In that environment, the quietly muttered question becomes, "Why bother when we could go it alone?"

To move forward, clarity is needed about the ambition for cooperation. Of course, this sounds dangerously like yet more talk, but bureaucracies must be clear on the goalposts.

RECOMMENDATIONS

- 1. Expedite the commitment to "map existing projects and plan future ones" under the Partners in the Blue Pacific initiative.**⁷⁷
- 2. Construct a U.S.-Australia development cooperation roadmap** with a clear set of objectives for cooperation in development. Do the two countries want genuine—and genuinely difficult to implement—bilateral and minilateral development projects? Or would the alliance be better off aiming to coordinate their development efforts in the region to be sure they are not covering the same ground or working at cross-purposes?⁷⁸ Leaving this question unresolved risks more inaction, since ill-defined outcomes provide a blind cover for ineffective busyness. A roadmap would define the ambition for cooperation and highlight the most fertile regions and sectors of focus.

- 3. Dedicate a coordination office to address the interoperability barriers.** The office's raison d'être would be to get Canberra and Washington working together on development in the Pacific. It would catalyze the information and people exchange that is the foundation of development cooperation and address practical barriers to cooperation, including procurement processes, incentives for cooperation, and absence of joint analysis. It should be led by the roadmap articulated above, with allocated funding and a mandate to ensure projects are delivered.
- 4. Create space for development experts from both countries at the bilateral security table.** This means having relevant development ministers and officials at talks such as AUSMIN, the Quad, and AUKUS. These security-focused discussions are already considering the role development can play in achieving their goals, but they lack the capability to implement such programs.⁷⁹

Finally, some decisive ministerial and administrative actions are needed. The real cost of an uncoordinated U.S.-Australia cooperation in the Pacific is frustrated Pacific leaders and lost opportunities for a safe and prosperous region. If one outcome of AUSMIN is yet another senior political commitment to U.S.-Australia development cooperation, then bureaucrats should be on notice that ministers will be requesting a status update that needs to involve more than another MOU.

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Defense

Joint Planning and the Future of War

Participants at AUSMIN discuss a variety of topics, including climate change, counterproliferation, and critical minerals. The last two meetings have had three principal themes: (1) the Covid-19 pandemic and collaborative responses and recovery strategies; (2) collaborative defense activities, including shared infrastructure, technology, joint deployments, logistics, and training activities; and (3) Indo-Pacific security—a topic likely to dominate the 2022 meeting.⁸⁰

A common thread of recent meetings has been the growing threat of the Chinese Communist Party to democratic forms of governance generally and to the sovereignty and security of Taiwan specifically. Chinese president Xi Jinping reinforced this threat in October by noting in his address to the 20th National Congress of the Communist Party, “Resolving the Taiwan question and realizing China’s complete reunification is, for the Party, a historic mission and an unshakable commitment Resolving the Taiwan question is a matter for the Chinese.”⁸¹

China has absorbed the attention of many in the international security policy community for decades. It is also the subject of many think tank war games and secretive planning activities within the U.S. military and beyond.⁸² More recently, U.S. secretary of state Antony Blinken and U.S. Navy chief of naval operations Mike Gilday have speculated that the Chinese may be acting on a much shorter timeline for Taiwan than previously believed.⁸³ Both cautioned that strategists and policymakers should evaluate these scenarios as part of the spectrum of potential futures. Therefore, Taiwan is likely to be near the top of the agenda for AUSMIN 2022.

Several initiatives could be considered for deterring Chinese aggression—and responding decisively if President Xi decides to coerce, blockade, or attack Taiwan into submission. First, based on lessons from Ukraine, Australian and U.S. military institutions must rapidly enhance their understanding of modern war. The Chinese have been studying the war in Ukraine for lessons to inform any move against Taiwan. They used their study of the 1991 Persian Gulf War to inform a massive transformation of the People’s Liberation Army (PLA).⁸⁴ Evolutions in modern war, evident on the physical and information battlefields of the war in Ukraine, may also inform PLA leaders about the best ways to employ their military.

An outcome of AUSMIN could be the establishment of a joint commission to undertake a rapid, in-depth study of the lessons from Ukraine, with results delivered no later than the first quarter of 2023. There are many lessons to gather about command and control, joint operations, long-range strike, coalition support, logistics, and combat. A joint commission should distinguish between lessons specific to the war in Ukraine and those that are more general in nature. A strategic learning process from this war must involve observing both sides and looking deeper for hidden challenges for which neither side produced a robust solution.

Second, AUSMIN could address enhanced deterrence through training. The United States and allies such as Australia and Japan should consider stepping up military activities around Taiwan. Additionally, they should expand joint training activities across the Pacific, orienting major exercises such as Exercise Talisman Sabre more precisely to contingencies such as Taiwan and other locations where Chinese military aggression is possible. New rapid deployment activities are needed.

During the Cold War, the United States conducted Return of Forces to Germany (REFORGER) exercises, demonstrating U.S. commitment to the defense of NATO and proving its capability for rapid reinforcement and callout of reserves.⁸⁵ A Western Pacific version—perhaps called Return of Forces to the Western Pacific, including the call-up of civil maritime and air fleets—would act as a deterrent and identify training, logistics and military readiness shortfalls in the event of a war. The PLA, through the National Defense Mobilization Law and National Defense Transportation Law, is working toward a similar integration of civil and military logistics capabilities.⁸⁶

A third initiative might be strategic resilience. This concept has seen a resurgence in interest over the past decade. Indeed, the term “resilient” appears throughout the 2022 U.S. National Security Strategy, though it was formally recognized in official doctrine in the 2010 version.⁸⁷ It has societal as well as military elements.

An observation from the war in Ukraine is that Ukraine has demonstrated resilience at multiple levels, which has underpinned its survival as a state. Ukraine’s work after 2014 to develop a resilient telecommunications network has enabled its government and citizens to collect and transmit images and stories for its strategic influence campaign.⁸⁸ This ability to communicate using terrestrial, mobile, and satellite communications will be vital for Taiwan as well as the United States and Australia. Ukraine has demonstrated how connectivity underpins government, information, and societal resilience.

Military resilience is also vital. An integrated air and missile defense network incorporating U.S. bases, as well as sites in Australia, Japan, and beyond, must improve the resilience and survivability of logistic bases and forward deployment locations.⁸⁹ These areas must become no-fly zones for Chinese aircraft and missiles as a response to Chinese anti-access/area denial (A2/AD) strategies. The final element of

military resilience is logistics. The United States and Australia will need to quickly build a stockpile of precision munitions. Given that such stockpiles can be attractive targets, they must be held in a variety of distributed locations, with enhanced operational security protecting information about locations and stockholding numbers.

AUSMIN 2022 will play a vital part in establishing and reinforcing strategic initiatives to deter Chinese coercion and military aggression against Taiwan. A degree of urgency is required. Participants might think of AUSMIN 2022 as the last opportunity to prepare for a coming conflict. This change of mindset and sense of urgency is vital if China is to be deterred from taking a catastrophic step and plunging the region into a destructive and drawn-out war.⁹⁰

RECOMMENDATIONS

- 1. Establish a joint commission to undertake a rapid but in-depth study of the lessons of the war in Ukraine, with results delivered no later than the first quarter of 2023.** There are many lessons to gather about command and control, joint operations, long-range strike, coalition support, logistics, and combat. The commission should include military, government, and think tank representatives from the United States, Australia, and Japan.
- 2. Increase joint military activities by the United States, Australia, and Japan around Taiwan and expand joint training activities across the Pacific.** Orient major exercises such as Exercise Talisman Sabre more precisely to contingencies such as Taiwan and other locations where Chinese military aggression is possible.
- 3. Establish a new multilateral readiness and training activity,** which might be called Return of Forces to the Western Pacific, to test the ability of the United States, Australia, Japan, and others to rapidly respond to contingencies in the Western Pacific region.
- 4. Build up an integrated air and missile defense network incorporating U.S. bases, as well as sites in Australia, Japan, and beyond,** to improve the resilience and survivability of logistic bases and forward deployment locations.⁹¹ This should deny the use of these areas to Chinese aircraft and missiles in response to Chinese A2/AD strategies.
- 5. Establish a planning capacity that enhances alliance resilience.** An initial activity may be expanding the stockpile of precision munitions. To enhance the survivability of these munitions stocks, they must be held in different locations. The locations and stockholding numbers should not be released publicly.

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Munitions and Production

The U.S. and Australian defense-industrial bases are not sufficiently prepared for the wartime environment that currently exists, particularly with an ongoing war in Ukraine and rising tensions in the Indo-Pacific. U.S. and Australian cooperation is critical to effective deterrence and warfighting in the region in the future. The history of industrial mobilization suggests that it will take years for the defense-industrial base to replace most weapons system inventories—and even longer for brick-and-mortar capital investments to be implemented—making it essential to make changes now.

The requisite capabilities for warfighting are essential for a credible deterrent. There are two main types of deterrence. *Deterrence by denial* involves preventing an adversary from conducting an action by making the action infeasible or unlikely to succeed. *Deterrence by punishment* involves preventing an action by imposing severe costs if an attack occurs. For either strategy to work, a strong industrial base is critical to building sufficient types and amounts of weapons for deterring aggressive Chinese actions in the Indo-Pacific, such as an invasion of Taiwan.

Yet the United States and Australia are not prepared for war—which fundamentally undermines their ability to deter. Major regional military conflicts will expend significant quantities of munitions that exceed current planning efforts. In nearly two dozen iterations of a CSIS war game that examined U.S.-China war scenarios in the Taiwan Strait, the United States typically ran out of long-range precision munitions in less than a week.⁹² These missiles are particularly useful because of their ability to strike Chinese naval forces from a distance. In the war game, Chinese defenses were initially so formidable that no aircraft could get close enough to drop short-range munitions.

But change is unlikely to happen quickly for several reasons.

To begin with, defense companies are generally unwilling to take financial risks without contracts—including multiyear contracts—in place. This risk aversion is compounded if companies have to make additional capital investments, especially brick-and-mortar investments. Part of the challenge is the difficulty of predicting future demands.

In addition, there are workforce and supply chain constraints to the increased demand for weapons systems and munitions required for major wars—especially without contracts in place. Companies need to hire, train, and retain workers, a time-consuming process that demands investment upfront. Supply chains are also not as secure and resilient as they need to be, with some businesses shutting down, moving, or outsourcing supply chains overseas—sometimes to countries with unfriendly governments. In other cases, there are no secondary providers for key weapons systems and munitions.

There are also significant vulnerabilities, such as with the supply chains of some rare-earth metals in which China has a near monopoly. There are also vulnerabilities with some chemical elements, such as titanium and aluminum, semiconductors, missile propulsion, high-temperature materials, and a range of other microelectronics.

Finally, time is a significant constraint. According to a CSIS study, it would take an average of 8.4 years to replace Major Defense Acquisition Program inventories at surge production rates. Missiles, space-based systems, and shipbuilding require the longest replacement times.⁹³ It can take roughly two years to produce some types of missiles, including the Patriot Advanced Capability (PAC)-2/PAC-3 air and missile defense system, Tomahawk V cruise missile, and long-range precision strike missile (PrSM). These lead times are generally to deliver the first missiles, not the last ones.

The United States, Australia, and their partners and allies should consider several steps to promptly build more ready and resilient defense-industrial bases.

RECOMMENDATIONS

- 1. Conduct a joint reassessment of total munition requirements to align service planning for the realities of high-intensity combat.** This might include, for example, modeling the expenditure rates of critical guided munitions among land, naval, and air forces in a major

conflict at various levels of intensity—including how long it would take to restart or increase production of critical guided munitions. More broadly, the assessment needs to review the defense-industrial base’s ability to replenish critical weapons inventories, including the status of missile and munition inventories, supply chains, and the U.S. and ally ability to replenish those inventories if needed.

- Based on the results of the assessment, both countries should focus on targeted investments in required systems to deter and fight major powers—such as strike, air defense, and missile defense—to maximize rates. This should include signing multiyear contracts for munitions.

2. The United States should streamline foreign military sales (FMS) and reduce constraints on the International Trafficking in Arms Regulations (ITAR) for key allies and partners.⁹⁴ The U.S. Department of State’s FMS program approves the sale of U.S. arms, defense equipment, defense services, and military training to foreign governments. ITAR is the U.S. regulation that controls the manufacture, sale, and distribution of defense- and space-related articles and services. In both cases, the United States is not as nimble or efficient as it needs to be in a wartime environment for key allies and partners.

- **Grant blanket approvals for certain types of weapons and technologies for certain allies and partners** to address the growing need to speed up sales of U.S. arms and technology to specific foreign allies, such as Australia, to better compete with China and to bolster the arsenals of other friendly nations.

3. The United States, Australia, and other allies and partners should encourage and incentivize more coproduction facilities and other defense production arrangements. Coproduction facilities can have multiple benefits, including strengthening alliances and partnerships and increasing economies of scale. There have been several recent coproduction examples worth exploring in more detail, including the High Mobility Artillery Rocket System with Poland, PrSM with Australia, Naval Strike Missile with Norway, and SM-3 with Japan.

The good news is that there appears to be a “Great Awakening” in some areas of the U.S. and Australian defense establishments regarding challenges with the defense-industrial base and the lack of preparedness for the wartime environment that now exists. The bad news is that the timelines to fix these problems are shrinking.

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Defense-Industrial Cooperation

Australia and the United States have worked and fought side by side for decades, and the partnership has grown over time. The new U.S. National Security Strategy highlights this bilateral partnership along with multilateral connections including the Five Eyes intelligence partnership (the United States, Australia, Canada, New Zealand, and the United Kingdom) and the Quad diplomatic network (the United States, Australia, India, and Japan).⁹⁵ The strategic and military partnership between the two states is also supported by defense-industrial cooperation which has similarly evolved over time.⁹⁶ The bilateral Australia-U.S. Defence Trade Cooperation Treaty was signed in 2007 and implemented in 2013.⁹⁷ In 2017, the U.S. Congress included Australia in the National Technology and Industrial

Base (NTIB), which “support[s] national security objectives of the United States, including supplying military operations; conducting advanced R&D and systems development to ensure technological superiority of the U.S. Armed Forces; securing reliable sources of critical materials; and developing industrial preparedness to support operations in wartime or a national emergency.”⁹⁸ The NTIB offers member countries certain statutory preferences in arms acquisition, including for conventional ammunition, with the caveat that other regulations such as the Buy America Act, however, can “hinder effective integration” with allies’ defense forces.⁹⁹

More recently, the trilateral AUKUS agreement has aimed at fostering “deeper integration of security and defense-related science, technology, industrial bases, and supply chains” and “cooperation on a range of security and defense capabilities.”¹⁰⁰ While much attention has focused on the AUKUS partnership to help Australia acquire nuclear-powered submarines, other areas of technical cooperation include advanced capability initiatives such as “hypersonics and counter-hypersonics, electronic warfare capabilities, cyber, artificial intelligence and autonomy, quantum technologies, and additional undersea capabilities.”¹⁰¹

The existing defense cooperation relationship is robust. Australia is a major market for the U.S. defense-industrial base, especially as Washington aims to deepen its relationship with Canberra to boost Australia’s capabilities as part of the broader strategy to compete with China in the Indo-Pacific.¹⁰² Specifically, Australia is the second-largest U.S. defense export market.¹⁰³ The United States facilitates its defense-industrial relationship with Australia by treaty and other security arrangements.¹⁰⁴ Data from the Stockholm International Peace Research Institute (SIPRI) shows that a key theme of U.S. defense exports to Australia over the past decade is enhancing the latter’s maritime security.¹⁰⁵ From 2003 to 2021, exported systems included 14 P8-A Poseidons, 300 Mk-54 MAKO 324-mm antisubmarine warfare (ASW) torpedoes, six MQ-4C Tritons, 24 MH-60R Seahawks, and 500RIM-162 Evolved SeaSparrow Missiles (ESSMs), a type of surface-to-air missile. Australia is also a partner in the F-35 program.

In turn, the United States has benefitted from Australian innovation. In April 2022, the U.S. Air Force announced it would replace part of the E-3 Sentry fleet with Boeing Australia’s E-7 Wedgetail.¹⁰⁶ Additionally, BAE Systems Australia developed one of Canberra’s most successful defense exports, the MK-53 Nulka missile decoy launching system, with the United States.¹⁰⁷ Over 1,000 units of the Nulka have been fielded on over 150 U.S., Australian, and Canadian ships.¹⁰⁸ Australia developed the Nulka’s hovering rocket, the United States developed the payload, and both parties co-developed the fire control system.¹⁰⁹

The current backdrop for these partnerships is a geopolitical environment shakier than it has been in decades. Russia’s invasion of Ukraine has upended the postwar order in Europe, and shipments of arms to Ukraine require recapitalization from an industry where years of focus on manufacturing efficiencies have reduced slack and limited the ability to surge production in response to wartime needs.¹¹⁰ A recent CSIS report identified specific inventory challenges for weapons, suggesting that the United States may be reaching the limit of what it can supply without taking risks related to war plans and training.¹¹¹ At the same time, worries about China’s military capabilities continue to grow, along with concerns offered by U.S. secretary of state Antony Blinken that China has become impatient and seeks to reunify with Taiwan in a faster timeline—perhaps as early as by the end of this decade.¹¹² Missiles and other standoff capabilities will be an important part of a Taiwan contingency, and international cooperation on weapon production can be part of the response.

Translating the solidarity of sentiment into actions that result in successful defense-industrial and technological cooperation requires more than good intentions and public statements about the importance of partnerships. Policies supporting defense cooperation are not the same as actual defense-industrial cooperation, which requires commitment from partner governments, specific direction to industry, and sufficient funding. This is not without roadblocks—industry partners must operate carefully to avoid breaking laws and export controls such as the International Traffic in Arms Regulations (ITAR).¹¹³ The costs, risks, and uncertainty associated with ITAR compliance constrain exports and significantly complicate how foreign nations purchase U.S. products and how foreign industry and academia partner with U.S. organizations.

Previous CSIS workshop-based research also found that in spite of the opportunities presented by the NTIB, there were residual challenges related to export controls and national security policy, among other issues.¹¹⁴ Canada had the most success in overcoming barriers, in part due to the long history of working together under this framework, but even that cooperative relationship has sticking points. Furthermore, the group of experts, including Australian government officials, criticized the U.S.-Australian Trade Cooperation Agreement as not working effectively in practice.

Defense-industrial cooperation can follow multiple different pathways. In one approach, U.S. and Australian firms can set up or enhance operations in the partner nation, working with governments on export issues but maintaining control over production and intellectual property. A more complicated partnership approach involves different sovereign companies from each nation forming strategic associations and working together. This may be more accessible to smaller businesses without the capital to set up operations in another nation. No matter what the desired pathway is, industrial organizations seek profits and will engage in these activities only if they see a market and clear demand. The demand for defense capabilities is set by national governments through their formal requirements process, which starts the acquisition process and culminates in contracts to buy output and other government support activities. Vendors and investors usually look for this demand signal before they make investment decisions.

In trying times, international cooperation may not be the most important consideration for corporate leadership. As of October 2022, challenges in the U.S. defense-industrial base include the highest inflation in decades; workforce constraints due to low levels of workforce participation that have not returned to pre-pandemic levels and low rates of unemployment that make it difficult to find new workers; and supply chain challenges, including long lead times for delivery of subcomponents.¹¹⁵ Australian industry is facing similar issues of inflation and labor force availability. Taking a risk on industrial cooperation is even more of a challenge in an uncertain environment.¹¹⁶

RECOMMENDATIONS

1. Enhancing defense-industrial collaboration between Australia and the United States is a tractable challenge, but one that will require considerations of implementation to ensure that AUKUS yields the results that were previewed during its announcement. **The first step is ensuring and affirming that both governments buy into the development of an implementation plan focused on a reasonable case study.**
2. **Convene a U.S.-Australia joint working group with stakeholders from the governments and industry on guided weapons.** Collaboration on guided weapons is a useful avenue to explore, given (1) Australia's stated interest in establishing a sovereign guided-weapons enterprise; (2)

its location in the U.S. Indo-Pacific Command (INDOPACOM) region and, thus, proximity to any future contingencies there; and (3) concerns about limitations in the U.S. missile industrial base.¹¹⁷ While such weapons require advanced technology, they are not as complex as nuclear-powered submarines, a clear focus of AUKUS. However, they would require addressing issues of technology transfers covered in ITAR and offer a way to identify and work through specific limitations and challenges in the technology transfer regime for less complex cases.

- **Government members of this working group should start by discussing and deciding on specific requirements that both countries agree to.** This will signal demand to industry. The nations must also commit to funding. Industry members of the group can map out a path to manufacture guided weapons that includes collaboration from industry in both nations.
- **Take the collaboration on guided weapons as a case study to trace and tackle challenges posed by ITAR.** Given the technical complexity of the technology, there would likely be identifiable specific ITAR challenges. The working group can track those barriers, look for policy solutions, and develop an implementation plan for those solutions, including getting buy-in from necessary stakeholders across the U.S. government. The Congressional Research Service indicates that while protectionism still exists, “some analysts and government officials have called for an overhaul of technology transfer, socioeconomic, export, and related laws and regulations to promote more effective integration.”¹¹⁸ The working group could feed into such an effort.

3. Support for a longer-term commitment from both governments is necessary, especially for any cooperation that requires infrastructure investments in advance of production. A clear requirement and appropriate levels of funding will translate good intentions into action, help build the foundation for long-term defense-industrial cooperation, and strengthen the economic interdependence that is closely associated with this partnership.

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Nuclear Stewardship

The decision to share naval nuclear propulsion technology with Australia through the new AUKUS partnership between Australia, the United Kingdom, and the United States is an important contribution to the security architecture in the Indo-Pacific. But implementing AUKUS presents challenges for nuclear governance and nuclear dialogue. How can the three countries ensure the agreement—specifically cooperation on nuclear propulsion technology—does not undermine existing nuclear governance institutions, particularly the Nuclear Non-Proliferation Treaty (NPT), at a time when the treaty is particularly vulnerable? And how can the alliance ensure it does not lose sight of critical deterrence, crisis management, and capacity-building issues? AUSMIN 2022 provides an important opportunity to address these challenges and to focus on (1) documenting Chinese disinformation on AUKUS, (2) promoting transparency initiatives, and (3) building a broader pipeline of nuclear experts.

CHALLENGE 1: NUCLEAR GOVERNANCE

Australia’s decision to acquire conventionally armed, nuclear-powered submarines in partnership with the United States and the United Kingdom has raised concerns about potentially undermining

nuclear institutions and norms. While all three countries have emphasized that this partnership will implement the highest possible nonproliferation standards, questions about the agreement were at the forefront of the 2022 NPT Review Conference. In his opening statement, Chinese ambassador Fu Cong criticized the agreement, alleging that it, “poses severe nuclear proliferation risks, in contravention of the object and purpose of the NPT.”¹¹⁹ AUKUS members will need to continue to outline how their approach could actually strengthen key aspects of the NPT and address questions such as whether and how it will implement a new agreement with the International Atomic Energy Agency (IAEA) for the withdrawal of material from safeguards for military use.¹²⁰

All three countries have been actively engaging the IAEA to understand what safeguards and verification arrangements could be put in place to ensure that nuclear material is not being diverted and that there are no undeclared nuclear activities taking place elsewhere in Australia. This will undoubtedly be a challenge for the IAEA since it has never before taken on this type of safeguard and verification activity. The agency has indicated it is “satisfied” with the technical consultations and exchanges conducted to date but also “recognizes that AUKUS is at an early stage and that precisely how it will develop has yet to be decided by the parties involved.”¹²¹

In addition, Australia’s Nuclear Powered Submarine Task Force is focusing heavily on nuclear stewardship and the “full suite of requirements” that underpin it, including safety, design, construction, operation, and maintenance requirements as well as disposal, regulation, training, and environmental protection, among other issues.¹²² Efforts are underway to recruit nuclear science and engineering students and to provide education assistance programs for current government employees interested in undertaking nuclear-related engineering or science studies. AUKUS partners have also established joint training pipelines for Royal Australian Navy officers to participate in specialized nuclear training programs in the United Kingdom and the United States and to deploy alongside British crews.¹²³ While these measures reflect important initial steps, how the specific details of these efforts are communicated and implemented going forward will present challenges, particularly given the amount of misinformation adversaries are spreading about the partnership.

CHALLENGE 2: NUCLEAR DIALOGUE

The establishment of AUKUS also came amid growing tensions in the Indo-Pacific. The National Defense Strategy fact sheet released in March 2022 refers to China as the United States’ “most consequential strategic competitor and the pacing challenge” for the Department of Defense.¹²⁴ Therefore, an additional challenge is ensuring that the alliance has the expertise and human capital pipeline to carefully manage and deepen discussions on deterrence, assurance, and escalation dynamics—not just the nuclear stewardship and nonproliferation aspects of the submarine program.

The United States and Australia have been steadily increasing their defense ties for years, including through a number of joint force posture initiatives and an increased tempo of training exercises. For example, Australia regularly hosts U.S. bomber task force missions, including B-2s and B-52s, and has for years hosted a number of “joint facilities” that are critical to U.S. nuclear deterrence.¹²⁵ While the United States and Australia have never had the type of extended deterrence dialogue that the United States maintains with other key allies—such as Japan and South Korea—there is a growing realization that the alliance needs to continue to deepen its engagement on these issues and build on existing Strategic Policy Dialogue discussions. Senior decisionmakers need to understand and weigh in on a series of underlying questions. For example, what role would Australia play in a Taiwan contingency

or in response to a North Korean nuclear attack, and does the alliance understand each other's decisionmaking structures and have channels to effectively communicate and coordinate with each other in a crisis?

An additional challenge is understanding the implications for other partners in the region. South Korea, for example, has long had ambitions for acquiring nuclear-powered submarines, which would require renegotiation of the U.S.-Republic of Korea Agreement on Cooperation Concerning the Use of Atomic Energy for Peaceful Purposes.¹²⁶ There is a risk that AUKUS could pressurize cooperation on nuclear propulsion in the region, potentially leaving Seoul feeling frustrated and left out. Moving forward, the alliance will need to develop a broader approach for how it plans to engage other partners in the region on both the nonproliferation aspects of the new partnership as well as on broader nuclear threats in the region.

RECOMMENDATIONS

To address these issues and ensure that the alliance can address the full scope of nuclear challenges it is facing today, U.S. and Australian officials should consider the following recommendations as they prepare for AUSMIN 2022:

1. Document Chinese disinformation on AUKUS: **Task the Global Engagement Center and its Australian counterpart with developing a report on the tools and tactics China is employing at the IAEA and other multilateral organizations to spread disinformation about AUKUS naval propulsion cooperation.** Similar to other recent GEC reports, this report should use case studies—including one on China's approach at the 2022 NPT Review Conference—to demonstrate the narratives and methods the Chinese Communist Party uses to spread disinformation about Australia's acquisition of a conventionally armed, nuclear-powered submarine capability.¹²⁷
2. Lead on transparency: **Showcase steps Australia and the United States are taking—including those related to IAEA safeguard arrangements.** The allies can use NPT and annual IAEA General Conference meetings to think creatively about how they provide updates on AUKUS's implementation. The AUKUS agreement is an unprecedented opportunity for the United States, the United Kingdom, and Australia to demonstrate leadership on transparency.
3. Build a broader pipeline of nuclear experts: **Prioritize capacity-building efforts that go beyond nuclear science and engineering and include a much broader focus on deterrence and crisis management issues.** This will help build a deeper bench and longer-term pipeline of nuclear experts who can help pave the way for deeper bilateral discussions and ensure the alliance is postured to address a wider spectrum of nuclear issues.

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Economy

Trade and Economics

If the ANZUS treaty were written today, it would surely include an article on economic cooperation.¹²⁸ In the 70 years since the treaty was signed, economics has become a central feature of strategic competition between major powers. As leading advanced market democracies, the United States and Australia have an opportunity—even an obligation—to work together to uphold and update the rules-based economic order that has underpinned global prosperity and security.

Russia's invasion of Ukraine has grossly violated international norms and disrupted global energy and food markets, but the longer-term challenge to the global economic order comes from China. Its economic rise has presented two main strategic challenges: First, an increasingly authoritarian and assertive Beijing has used its economic power to induce and coerce countries around the world to follow its preferred rules and norms. And second, Beijing has directed massive state resources to developing industries and technologies critical to advance its commercial and military ambitions.

The United States and Australia have a shared stake in responding to this two-part challenge by ensuring that their preferred rules and norms continue to prevail and that they maintain their economic and military advantage. They should push back when Beijing violates international economic rules or coerces other countries, establish and promote new rules in emerging areas such as the digital economy, develop secure and resilient supply chains for critical technologies and minerals, and offer positive incentives to developing countries through trade and development assistance.

RECOMMENDATIONS

To strengthen their economic cooperation, Washington and Canberra should:

- 1. Work to make the Indo-Pacific Economic Framework for Prosperity (IPEF) a success:** The Biden administration says it is not ready to join Australia in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and has offered IPEF as an alternative forum for regional economic engagement.¹²⁹ IPEF has promise, including agreements to participate from 12 other regional partners and an agenda covering a number of important areas. The framework could be a pathway to the optimal outcome: U.S. and Australian participation in a high-standard, comprehensive regional trade agreement approved by both countries' legislatures. Washington and Canberra should focus on making progress in three areas on the IPEF agenda:
 - Launching digital trade negotiations that advance U.S.- and Australian-preferred rules in the Indo-Pacific, building on the digital rules in CPTPP and the U.S.-Mexico-Canada Agreement.
 - Providing incentives to regional trading partners to diversify and securitize supply chains for critical technologies, inputs, and final products.
 - “Crowding in” private capital from the United States and Australia to invest in clean energy projects and sustainable infrastructure in the region.
- 2. Substantially increase their respective aid budgets** and work with Japan to support capacity building in the region's developing countries, build digital infrastructure, and enhance health- and climate-related resilience.¹³⁰ Having just signed a renewal of the Trilateral Infrastructure Partnership with Japan, Washington and Canberra should work with Tokyo to deliver high-quality infrastructure in the Indo-Pacific, targeting limited government resources to crowd in private investment.¹³¹ Rather than cofinance projects, the three governments should divide up target countries and projects, agree on shared goals and standards, and jointly assess progress through regular trilateral meetings.
- 3. Promote joint work to diversify supply chains for critical minerals:** Through the Quad and bilateral initiatives, Washington and Canberra have agreed to cooperate to reduce dependence on China for minerals such as rare-earth metals, lithium, and cobalt, which are critical to military and clean energy production.¹³² These efforts could use greater focus and financing. As a start, mapping the extraction, processing, and trade of critical minerals would help prioritize joint efforts in this area. The two governments could also agree to a take-or-pay arrangement to provide a financial guarantee and encourage private investment in processing capabilities outside of China.
- 4. Mobilize a coalition of countries that have been or could be susceptible to Beijing's economic coercion:** Australia is one on a growing list of countries that have been targets of Chinese economic coercion practices over the past decade. Washington and Canberra should develop a common framework for deterring and responding to coercion centered on efforts to make countries more resilient or immune to Beijing's pressure. The CSIS Economics Program has a report forthcoming in February 2023 that will offer recommendations for such a framework.
- 5. Coordinate work in all the areas above with Tokyo through a trilateral mechanism that meets regularly at senior levels.** The Quad is useful but no substitute for a caucus of the three allies most aligned in their goals of upholding the global rules-based economic order in the face of intensifying competition from China. This effort could be supported by a track 1.5 trilateral

dialogue bringing together governments, the private sector, and think tank experts from all three countries.

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Critical Infrastructure

In 2017, the Asian Development Bank estimated that Asia and the Pacific required an investment of \$1.7 trillion per year through 2030 to meet its economic growth potential and maintain its economic momentum.¹³³ The investment needed in modern telecommunications systems (e.g., 5G and more subsea and satellite links), green energy, and modern multimodal transport systems entail an even higher cost.

From a national security standpoint, it matters how these projects are financed and who builds, owns, and controls the resulting infrastructure. China, through its Belt and Road Initiative (BRI), and likely through its recently announced Global Development Initiative (GDI), has demonstrated that unserviceable debt can be used to transfer infrastructure ownership to Chinese entities.¹³⁴ High-visibility projects such as sports stadiums and convention centers—many of which are funded by Chinese capital—are sometimes associated with elite capture. The purchase of existing strategic assets, such as ports and telecom systems, by Chinese state-owned enterprises leaves these operations vulnerable to state intervention, intelligence gathering, and potential military usage. In addition, the expansion of the BRI's "Smart Cities" program risks embedding and disseminating Beijing's preferred technology and cyber standards in recipient countries.

It is for these reasons that the United States and Australia agreed in November 2018 to cooperate with Japan on regional infrastructure financing. Their respective development finance agencies established a Trilateral Infrastructure Partnership (TIP) to identify joint projects in the region, with a focus on electrification, gas value chains, and digital connectivity.¹³⁵ In October 2022, the partners renewed the MOU to further cooperate on telecommunications, digital and information and communications technology, ports, airports, banking and financial services, critical minerals, resilient supply chains, and pandemic response.¹³⁶

Aside from the resources each agency brings, additional funding for projects could be brought in through other government programs, cooperation with multilateral development banks, and especially by collaborating with private-sector capital looking for long-term investment opportunities.

One example of the United States and Australia cooperating on keeping strategic infrastructure in friendly hands is the purchase of the Subic Bay Naval Shipyard by the U.S. firm Cerberus Capital Management after it was put into bankruptcy by its South Korean owners and two Chinese investors expressed interest in its purchase.¹³⁷ Another example is when the Australian government facilitated the purchase of Digicell Pacific by the Australian firm Telstra to prevent Chinese ownership of the telecommunications infrastructure in the Pacific Islands.¹³⁸

The U.S. government has announced intentions to further increase funding for overseas infrastructure under the Indo-Pacific Economic Framework for Prosperity as well as under the Partnership for Global Infrastructure and Investment (PGII) initiative unveiled in June at the G7 summit.¹³⁹

The problem with these efforts to date is the slow pace the United States and other partners take when making financing and project decisions, or at least their inability to make decisions as quickly as the BRI or as quickly as the private sector demands. Additionally, differing agency mandates and statutes, due diligence and feasibility guidelines and requirements, and a lack of bankable (or at least somewhat viable) projects have undermined the ability for TIP partners to co-finance projects. The political and national security imperatives of certain infrastructure investments are not currently matched with the necessary flexibility and bandwidth in bureaucratic structures and government agencies that provide the funds. As a result, there has only been one joint-financed project since the original MOU was agreed upon.

RECOMMENDATIONS

To energize TIP and have more impact on critical strategic infrastructure decisions in the Indo-Pacific, the United States and Australia should:

- 1. Establish a standing committee within each government that identifies projects of particular national security concern.** This could be the PGII coordinator in the U.S. government. This committee would have the ability to bring all government resources to bear on critical projects and coordinate with their counterparts in Australia and Japan on short notice. Upon the agreement of at least two of the parties, each funding agency would focus on finding ways to work toward addressing the national security concerns identified.
- 2. Create a fund specifically to advise and consult with developing nations on the financing, design, sizing, and environmental, economic, and social impacts of a project.** The fund would help design and evaluate bids and oversee projects. This approach would bring in more private capital (since the project will have been expertly vetted) and reduce the risk of falling into an unsustainable debt trap for the borrowing nation. The U.S. embassy in Yangon used this method to reduce the cost of a China-funded port development project from \$7.3 billion to \$1.3 billion.
- 3. Coordinate a joint diplomatic effort to lobby host governments on Western solutions.** Currently, such efforts tend to be disjointed and ad hoc, with little coordination among Western governments. Given China's typical deployment of a full-on effort utilizing visiting dignitaries, delegations, and regular demarches in order to win contracts abroad, the U.S. and Australian embassies, in coordination with Japan and other friendly partners wherever possible, should pursue joint demarches, coordinate talking points among senior officials who engage with host country leaders, and ensure to communicate with the host country that the discussed project is of joint priority.
- 4. Initiate regular consultations with private sector financiers and infrastructure developers to share priorities and best practices to sufficiently de-risk investment and attract more private capital.** Consider including representatives of the private sector as members of the standing committee(s).
- 5. Work together to reform multilateral development bank award procedures** to include considerations for sustainability, environmental and social impacts, and technology transfer, rather than just considering the lowest bid to deliver a project.

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Economic Coercion

The United States and Australia—and essentially all of their like-minded partners—agree that China’s economic coercion is a problem. Beijing’s unilateral and informal weaponization of commercial links to pressure governments into aligning with China’s political preferences is an unacceptable interference with these countries’ sovereignty and represents a patent violation of international trade rules.¹⁴⁰

Australian exporters have endured disruptions for over two years. In May 2021, U.S. secretary of state Antony Blinken said that “the United States would not leave Australia alone on the field.”¹⁴¹ But what does that look like in practice?

To date, publicly visible international support for Australia’s ongoing economic predicament has been largely symbolic. Australia has joined with the United States (and multiple other partners) in issuing bilateral (and sometimes minilateral) statements raising concerns about Beijing’s coercive practices.¹⁴² The United States and others have also joined as third parties in Australia’s World Trade Organization cases against Chinese barriers on barley and wine. Besides these examples and some other token gestures, however, tangible support has been lacking.¹⁴³

Is that a problem? On one level, no. Australia’s economic losses to date have been relatively modest, with most targeted industries successfully shifting to alternative markets given the strong demand for particular commodities.¹⁴⁴ Australia does not, therefore, need more substantial support. Retaliatory sanctions, for example, would likely do little to change Beijing’s calculus but would impose major costs on the sanctioning economies themselves.

Moreover, political economy dynamics limit the potential for material support. Economic coercion causes market shocks that create winners and losers. As Australian wine and beef producers lost market share in China, for example, other market competitors—including producers from the United States—stepped in.¹⁴⁵ Even when it is an ally in the (economic) firing line, to expect any government to place a foreign partner’s economic interests over those of its own producers is unrealistic.

But the subsequent campaigns against Lithuania and Taiwan indicate that a seemingly unsuccessful effort against Australia did not dissuade Beijing from continuing to weaponize its large economy to pursue geopolitical ambitions.¹⁴⁶

What more can be done to deter Beijing from continuing to weaponize trade? Sensible proposals for collective pushback have been made, but concrete measures thus far remain elusive.¹⁴⁷ One possibility is to explore how Australia’s experience of China’s coercive power can be used by allies collectively to counter two narratives about China’s growing power.

The first narrative is that any country acting against China’s interests will inevitably experience substantial economic pain. Arguably, the primary audience for Beijing’s campaign against Australia was not Australia itself but the rest of the world. China’s willingness to deploy economic weapon in defending its interests is intended to deter and send the message that “if you act counter to our interests, you will suffer.”

Undermining that message, Australia’s experience can be used to exemplify a lesson that has been illustrated repeatedly over the past decade: Beijing’s bark is worse than its bite.¹⁴⁸ China’s coercive capability is limited in the extent to which it can disrupt commercial activity because China must be

mindful of the potential damage its coercive actions cause for its own economy.¹⁴⁹ Moreover, coercive impacts are blunted where economic actors ignore (or dodge) trade barriers or when target economies enjoy outside options to replace the lost business.¹⁵⁰ Yes, some losses will be likely, but in a globalized economy, opportunities often exist elsewhere. Governments should therefore feel more confident in defending their sovereignty and national interests, regardless of economic threats.

The second narrative to be countered is that China can responsibly participate in and lead a global economic order. China's leaders repeatedly offer regular and explicit support for globalization and multilateralism, and Beijing has been using free-trade agreements to establish its leadership credentials. However, economic coercion is the explicit disruption of free commercial exchange and thus fundamentally at odds with any vision of free trade.¹⁵¹ Beijing's mercurial and arbitrary willingness to hold commerce hostage to its numerous political sensitivities undermines and discredits any claim of economic leadership. After all, Australia and China have a free-trade agreement themselves—but what is the value of agreed rules if China ignores and violates them in a political dispute?¹⁵²

Yes, the United States, Australia, and their partners must walk a fine line in distinguishing the “legitimate” economic coercion that is part of their own preferred tool kit—such as multilateral sanctions against Russia for invading Ukraine or against pariah governments for their nuclear ambitions—from the “illegitimate” actions they claim Beijing is undertaking.¹⁵³ While the distinction might be patent to Western governments, many in the developing world might simply perceive all economic coercion as morally equivalent great power politics.

Accordingly, a counternarrative must focus on the importance of transparency and rules. U.S. economic sanctions are at least levied in a public and transparent manner for all to see and judge. China's coercion is typically “informal,” implemented by weaponizing economic regulations in bad faith or by secretly issuing blacklists while publicly denying anything untoward is happening.¹⁵⁴ A successful and sustainable economic order can only operate pursuant to transparent rules. For all its rhetoric in support of a global economic order, it is Beijing's coercion that is causing actual harm to existing rules and institutions.

Countering the narratives of China's retaliatory economic power and economic leadership capability is especially important at a time when the United States is otherwise losing the battle of economic narratives in the Indo-Pacific.¹⁵⁵ Washington is perceived as being too bound by domestic politics to offer economic leadership on key issues such as trade liberalization. With China seeking to fill the leadership void, it is essential that the United States and its partners take steps to shore up important parts of the existing order by focusing on issues that everyone can agree upon.

The key to establishing counter-narratives is credible information. AUSMIN offers an ideal mechanism for gathering, sharing, and disseminating information about the nature of China's economic coercion and best practices for mitigating the subsequent economic damage. Such knowledge would not just benefit the United States and Australia but could serve as a resource for both governments and the private sector around the world regarding the specific risks and ramifications posed by economic coercion, and how to manage them, while also highlighting Beijing's diminished leadership credentials.

RECOMMENDATIONS

- 1. Establish a joint working group on economic coercion.** An institutionalized dialogue between the United States and Australia on economic coercion (and other geoeconomic issues) would serve as a vehicle both for collecting and analyzing individual experiences of coercion and for developing shared conceptual language around the nature of the problem and a joint policy agenda on how to address it. The working group would also facilitate rapid joint responses to future coercion such as issuing public statements attributing and condemning coercive acts.
- 2. Convene a track 1.5 dialogue between governments and the private sector.** This mechanism would incorporate and contrast government and industry perspectives on the problem, with a view both to improving allied policy but also to disseminating findings internationally across governments and the global business community about both the nature and (often limited) impacts of coercion, as well as how governments and industry can manage these growing risks.
- 3. Consciously incorporate a focus on shaping public narratives through diplomatic engagements.** In future communications and joint statements with other partners, both Washington and Canberra should consistently seek to highlight the incompatibility of informal economic coercion with responsible leadership of the international economic order and the need for transparency and rules to govern how states intervene in their economies.

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Technology

Cybersecurity

It should be noted that the United States and Australia already have a long-running relationship in cybersecurity. It grows out of the Five Eyes signals intelligence cooperation between the U.S. National Security Agency (NSA) and the Australian Signals Directorate (ASD) (in this, the United Kingdom's Government Communications Headquarters, or GCHQ, is also an important partner). More than a decade ago, the ASD and NSA were collaborating on cybersecurity, using their joint work on best practices to reduce the chance of a successful cyberattack. This work was based in part on research the ASD had done. Bilateral cybersecurity cooperation is anchored in this important partnership in signals intelligence.

China is the primary threat to both countries. Chinese president Xi Jinping's renewed faith in Marxism and sense of China's historic place as the dominant power only amplifies this threat. The primary risk from China is cyber espionage and growing efforts at political manipulation, where Australia has been the subject of special attention from Beijing. Australia, like most other developed nations, has been at the receiving end of Chinese economic espionage and coercion for more than a decade. Since President Xi took office, the Chinese threat has evolved, and China has intensified its efforts against Australia in an apparent attempt to turn the country into a tributary state.

Espionage and covert political manipulation are ongoing Chinese activities. In contrast, while China has explored using cyber techniques to disrupt critical services, this threat remains a potential rather than an actual hazard. Unlike Russian or Iranian practice, there have been no Chinese attacks on critical infrastructure anywhere. Judging by China's probing of critical infrastructure networks, it has almost certainly developed cyberattack tools, but attacks on critical infrastructure are not

the immediate threat. If cooperation in defense focuses primarily on critical infrastructure, it will be dangerously inadequate. This means the focus of cybersecurity cooperation cannot primarily be protecting critical infrastructure. The “target set” in cyberspace now goes well beyond critical infrastructure. The primary risk is to data and digital services.

The usual cyber remedies are to share information on threats, vulnerabilities, and mitigation measures. These are useful but insufficient since better defenses will not deter China in cyberspace. Better defenses will raise the cost of cyber action for China, but most defenses can be overcome. This points to what has become the central problem for cybersecurity cooperation: how to impose meaningful consequences for malicious action. The problem is challenging since imposing consequences for malicious actions, cyber or otherwise, is not something the international community has been particularly good at doing, especially when the perpetrator is a member of the UN Security Council, and particularly for cybersecurity, where precedents for state practice are generally lacking.

Nor does state practice on espionage provide many precedents for how to deal with malicious cyber actions since it is treated as a peculiar *droit souverain* (sovereign right, lying outside the strictures of international law). In fact, state practice is to pretend to ignore espionage. This made sense when spying was confined to human agents purloining secrets. But the scale and intensity of cyber espionage make this approach inadequate. The expulsion of intelligence officers and the arrest and prosecution of agents are still essential parts of a counterintelligence strategy, but these are of limited value for cyber espionage, which is almost always conducted by actors outside the jurisdiction of the victim state. The failure to impose consequences for malicious cyber actions has only encouraged their use.

Some might claim that the United States and its allies are equally guilty of espionage, but it can reject such simpleminded assertions of parity. The United States and its partners do not engage in commercial espionage, and their goals in intelligence collection are different than China’s and focused on political and military concerns. For one side the goal of espionage is to preserve democracy and the rule of law, for the other it is to advance the interests of the Chinese Communist Party and Xi Jinping. There is no parity here.

The situation is further complicated because Beijing is, for now, on a path to becoming more aggressive, not less. If domestic pressures on Xi increase, it will necessitate adopting a more confrontational foreign policy. Building a Maginot Line in cyberspace against a hostile, well-resourced, and opportunistic opponent convinced of the righteousness of its actions will not work. If better defense defines the extent of U.S.-Australia cooperation in cybersecurity, it will be found lacking in its ability to mitigate risk from a more aggressive China. The allies must also develop their joint capability for response.

RECOMMENDATIONS

- 1. Establish a Joint Cyber Working Group led by the National Security Council and its Australian counterpart** to develop common understandings on requirements for attribution of an attack; to agree on a menu of responses; to establish mechanisms to engage important partners such as the United Kingdom and Japan and decide whether an action should be covert or open; and to build common understandings of a diplomatic strategy to manage reactions from China and to justify any action to a global audience.
- 2. Increase Australia’s cyber offense capabilities and refine the doctrine for its use in cooperation with the GCHQ and use AUKUS as a platform for technology sharing.**

3. Compare responses to foreign political manipulation, harmful content on social media, and surveillance—areas where both countries share common values and generally similar laws, and where in some cases Australia leads in developing policy and legislation.

Any joint strategy must be anchored firmly in the framework of norms agreed by all member states in the United Nations, but to be effective, any partnership must also recognize the limitations of diplomatic or law enforcement actions. Identifying the perpetrators (even by name and rank) annoys China but does not cause it to change its behavior. China will shrug off sanctions unless they are comprehensive and coordinated. Responsive actions must include cyber counteractions, acts of retorsion (proportional retaliatory measures), sanctions, and other diplomatic actions.

Broad, comprehensive, and coordinated sanctions in response to cyberattacks are an emerging tool of statecraft but not yet adequately developed and possibly not painful enough to change adversaries' behaviors. Sanctions against Russia for cyberattacks and for its invasion of Ukraine have had a telling effect but have not been enough to change Russia's behavior. Sanctions against China create a degree of economic risk should China retaliate in kind. Europe may be reluctant to sanction China for cyber actions, and this could undercut the effect (although Europe's perception of China as a strategic competitor is moving in the direction of a harder approach).

This is not a very sanguine prescription for joint action, but this is not a very sanguine situation. Retaliatory cyber actions raise the risk of intensifying conflict. Effective management of cyber threats does not come with risk, but risk is unavoidable. While intensification of conflict with China is inevitable and while China (like Russia) exploits Western fears, there is still increased risk, and any cyber action must be approached carefully and in the context of the larger political-military situation. Collaboration can help build political understanding to enable joint responses to China. The dilemma is that this measured approach often becomes an excuse for symbolic action and hand-wringing.

The alternative approach to collaboration is to develop a careful, calibrated response that imposes consequences on China, supported by coordination mechanisms for joint cyber action. The most important challenges to managing cyber cooperation are developing an agreed menu of meaningful responses to create consequences for Chinese espionage and coercion and creating a policy mechanism to coordinate action. This will require considerable diplomatic work. But cooperation among Australia, the United States, and other allies can help manage what has evolved into a turbulent and dangerous reality.

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Critical and Emerging Technology

The global landscape for critical and emerging technology is undergoing major shifts that require even closer collaboration between the United States and Australia. On October 7, 2022, U.S. president Joe Biden's administration announced expanded export controls targeting China's ability to purchase and manufacture advanced semiconductors.¹⁵⁶ The administration has also indicated further U.S. restrictions may be forthcoming in areas such as biotechnology and quantum computing.¹⁵⁷ The United States is seeking to actively constrain China's high-technology sector in intersecting civilian and military domains while shoring up long-term U.S. technological

competitiveness through legislation such as the Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act of 2022.¹⁵⁸ Staying at the leading edge is insufficient for the United States to maintain its global technological leadership. More drastic and urgent steps are being taken to hold China back in a “decisive decade” of strategic competition, notwithstanding the potential costs to U.S. industry and innovation.¹⁵⁹

Key U.S. allies such as Australia are instrumental to the U.S. strategy to “promote and protect” or to accelerate its technological development while slowing the adversary down, especially with tactics such as ring-fencing access to critical technologies. The United States and Australia have long collaborated to advance climate science, sensitive defense research on hypersonics, and, recently, supply chain resilience for critical minerals. This is set to intensify under the AUKUS partnership for militarily advantageous technologies in areas such as cyber and artificial intelligence. Both the United States and Australia have pursued regulations to manage national security risks arising from foreign investment, espionage and interference, and foreign involvement in critical infrastructure such as 5G telecommunications. Internationally, the United States and Australia work closely in broader groupings such as the Quad and multilateral forums such as the Wassenaar Arrangement, which coordinates export control regimes for dual-use technologies.

But the latest U.S. export controls herald a step change in the pace and scale of the U.S. strategy to maintain its global technology dominance. If allies are central to the U.S. approach, this raises the question of what more can, and should, be done with partners such as Australia for allied countries to retain their leadership of the development and deployment of critical technologies. AUSMIN 2022, the first AUSMIN with the new Labor government under Australian prime minister Anthony Albanese, is a key opportunity to invigorate an ambitious and practical agenda for cooperation in critical technology that builds on decades-long scientific and technical collaboration and senior leader-level and public support for the alliance.¹⁶⁰

The need to strengthen U.S.-Australia technology cooperation is part of a broader alliance response to the increasingly fraught geopolitical environment. Technology is at the heart of the contest for political, economic, and military power this century. The United States and its allies face the threat of having their long-held technological dominance eroded and challenged by a growth in Chinese technological capabilities and corresponding influence over technology norms and standards. The same approach will yield the same result, a relative U.S. technological decline vis-à-vis China. No less than the economic prosperity and national security of the United States and its partners is at stake.

Globalized and just-in-time supply chains do not provide the level of security, surety of supply, and resilience to shocks that the United States and its allies seek in relation to critical technology. The United States and Australia are grappling with a reorientation of the global economy and more interventionist policy approaches, especially by the United States, to manage risks of openness, connectivity, and interdependence. Tools of economic statecraft, including enhanced trade and investment restrictions, are central to allied efforts to pursue targeted decoupling of supply chains of critical technology such as 5G telecommunications and, now, advanced semiconductors from China. Industrial policy has been reinvigorated to incentivize and help the private sector fill the gap and bolster long-term national self-reliance.

Promoting and protecting critical technology in this new era of great power competition requires calculated risks and trade-offs, which vary between the United States and Australia based on the size

and composition of their economies. Restricting trade and investment could come at the expense of competition and could stifle innovation. Industrial policy may foster protectionism and technonationalism and curtail market efficiencies. Investing in manufacturing capacity for semiconductors today ties up resources that will not be available for emerging technology over the horizon. While many of these risks and trade-offs cannot be avoided, they can be better managed or minimized if allies coordinate their responses, share costs and burdens, and play to their advantages and areas of specialization. In a busy alliance agenda, the question for Australian and U.S. policymakers is where collaboration is the most urgent and fruitful and could provide the greatest return on investment.

RECOMMENDATIONS

- 1. Convene an annual ministerial-level bilateral dialogue on cyber and critical technology between the United States and Australia.** The breadth and complexity of cyber and critical technology policy issues impacting bilateral security and economic cooperation require a dedicated forum for honest exchange of views that has the seniority to make decisions about a forward cyber and critical technology agenda. This would elevate and build on the existing U.S.-Australia Cyber Dialogue, which focuses on the combined development of cyber capabilities. The dialogue should include discussions of:
 - Cyber threats to critical infrastructure, cyber-enabled foreign interference and ransomware, and policy responses, including public-private partnerships.
 - Regulatory responses to protect critical technology, such as investment screening and export controls.
 - Opportunities to coordinate industrial policy to bolster supply chain resilience and advance joint technological competitiveness.
- 2. Conduct a joint review of the U.S. and Australian export control arrangements for critical technologies, including semiconductors, biotechnology, and quantum computing, to reduce barriers to technology transfer for key allies and explore opportunities for regulatory harmonization.** This follows U.S. moves to unilaterally bolster export controls for semiconductors as well as a commitment to expand information sharing to support technology transfer and defense innovation as part of AUKUS. Both countries should also consider the following factors in their joint review:
 - The positive effect of each country's national regulatory framework in other areas such as cybersecurity and counter foreign interference in the protection of critical technologies to help streamline technology sharing; and
 - The short- and long-term effects of any changes on countries of concern, including enforceability, the likelihood of these countries finding alternate sources of supply, and the speed with which these countries might develop greater self-reliance, thereby dampening the effects of the controls.
- 3. Establish a Joint Innovation and Technology Delivery Office involving relevant science, industry, and national security agencies.** The ability of the United States and its allies, including Australia, to maintain leadership over the development and deployment of critical technologies hinges on technological competitiveness, not technological protectionism. The office would be responsible for leveraging existing research and development mechanisms in Australia and the United States and providing co-investment, where necessary, to deliver outcomes for mutually agreed priorities. Initial project areas could cover semiconductors,

biotechnology, and quantum computing. The office could be the civilian and broader national security complement to more specific military technology cooperation under AUKUS.

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Energy

Energy and Critical Minerals

The need to rapidly decarbonize and ensure energy security requires countries to develop technology and supply chains that support lower-carbon energy resources. In an era of increased international competition, cooperation can accelerate the pace of decarbonization and cultivate strategic advantages for allied countries, including for the United States and Australia.

Opportunities for U.S.-Australia cooperation in clean energy and energy security have never been riper. Both countries have robust targets for greenhouse gas emissions reductions under the Paris Agreement.¹⁶¹ Also, they account for roughly 40 percent of global liquefied natural gas export capacity, a key ingredient of energy security in Europe and Asia.¹⁶² Moreover, both are advancing new energy resources, such as clean hydrogen, and developing mineral supply chains.

Both the United States and Australia have significant resource potential in renewable energy, hydrocarbons, and carbon capture infrastructure to decarbonize heavy industries and long-distance transportation and provide energy security for countries with less native capacity. Regional clean hydrogen hubs are under development, while research and development in hydrogen production technologies are gaining momentum.¹⁶³ The two countries could play a productive role in the future in establishing trade regulations for clean hydrogen products, manufacturing components such as electrolyzers, and setting standards for emissions intensity and life cycle analysis.

Decarbonization will increase demand for batteries, motors, and high-technology components, driving at least a fourfold increase in critical mineral demand.¹⁶⁴ Washington and Canberra have launched a concerted effort to make the global supply chains for critical minerals more diversified, resilient,

and competitive. The U.S. government actively supports the expansion of Australian mineral firms in the United States and uses consumer subsidies to establish supply chains in free-trade agreement countries, including Australia.¹⁶⁵ Australia, which holds vast deposits of 21 of the 35 minerals on the 2018 list of U.S. critical minerals, has begun investing in industrial capacities that leverage the country's mineral wealth, including electric vehicle battery manufacturing.¹⁶⁶ The two countries' supply chain capabilities in critical minerals have become increasingly complementary to each other.

While Australia and the United States have taken a few concrete initiatives, bilateral cooperation on critical minerals deserves more attention. The pace and quality of the energy transition will depend on building large, competitive, and transparent mineral supply chains. The shared values and aligned interests of the United States and Australia make them natural partners in leading multilateral efforts through the Minerals Security Partnership, the Quad, and the Indo-Pacific Economic Framework for Prosperity.¹⁶⁷

The building of a secure, net-zero energy economy is one of the most challenging—and potentially rewarding—tasks of this century. It will be made easier with the bilateral cooperation of the United States and Australia, as well as with like-minded allies and partners with established trade and security relationships. Those deepening ties will be particularly important as countries navigate crises such as the energy crisis following the Russian invasion of Ukraine. Energy security and climate change mitigation are strategic imperatives. The time has never been better to work together for a sustainable and secure future.

RECOMMENDATIONS

- 1. Convene a senior-level U.S.-Australia working group to increase the capacity and resilience of critical mineral supply chains.** Initially, this working group can be tasked with engaging resource-rich third countries and like-minded nations that comport to high environmental, social, labor, and governance standards to expand mineral production and processing capacities. The working group could leverage public funding and financing mechanisms from institutions such as the U.S. International Development Finance Corporation, Australia's Department of Foreign Affairs and Trade, and Export Finance Australia. Also, the working group actions could constitute an anchoring activity under any of the above-mentioned multilateral fora as appropriate.
- 2. Institutionalize a consultative mechanism with other like-minded countries, such as Canada and Japan, to set and advance global technical standards covering mining, extraction, testing, and analysis of critical minerals.** Proactive engagement in standard setting at existing international fora, such as the International Organization for Standardization, is critical to ensure a level playing field that is essential for sustaining emerging domestic capacities and enabling them to thrive.
- 3. Create a U.S.-Australia research and innovation consortium in clean hydrogen with a focus on reducing production cost and enhancing the understanding of emissions implications from producing, applying, and trading clean hydrogen.** The consortium could include both government and private research entities, such as Australia's Commonwealth Scientific and Industrial Research Organization, the U.S. Department of Energy's national laboratories, and universities. The findings of the consortium can help the U.S. and Australian governments develop and facilitate a regulatory environment that is conducive to harnessing the benefits of hydrogen and maintaining its sustainability. Another key activity could be to set emissions intensity standards for hydrogen

accounting and trade, whereby investment and trading determination is not tied to the types of feedstocks and can accommodate the dynamisms in emissions reduction technology advancement.

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