

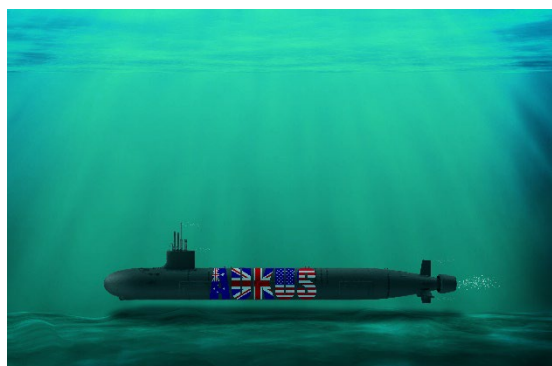
# Australia's strategic view of the Indo-Pacific

## SUMMARY

Australia, which is bordered to its west by the Indian Ocean and to the east by the Pacific Ocean, and lies in close proximity to members of the Association of Southeast Asian Nations (ASEAN) to its north, can be described as a central Indo-Pacific state. Since 2012, the idea of the Indo-Pacific has become a point of reference for Australian governments to define the country's foreign and security policy interests.

Throughout the post-war period, Australia has sought to meet its conventional security needs primarily by way of its mutual defence pact with the United States (US), the 1951 Australia, New Zealand and United States Security Treaty (ANZUS), as well as the 'Five Eyes' signals intelligence sharing agreement with the US, the United Kingdom (UK), Canada and New Zealand. In turn, the latter is underpinned by the 1946 United Kingdom-United States of America Agreement (UKUSA). In terms of its trade interests, however, Australia has looked increasingly to markets in Asia and proportionally less to traditional Western allies. As China has risen and grown more assertive, setting up a strategic rivalry with the US and its regional partners, Australia has begun to find it harder to insulate its commercial interests from regional geopolitical tensions.

The recently forged 'AUKUS' security and technology partnership with the US and the UK reflects both the pace of geopolitical change in the Indo-Pacific and the enduring centrality of the US to Australia's defence strategy. Having initially determined that the lack of a domestic civil nuclear industry precluded the use of superior nuclear propulsion technology in Australia's submarine fleet, the current government has re-assessed its security strategy and re-calibrated its defence procurement arrangements, with potentially far-reaching diplomatic implications.



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## Introduction

As it has done in Europe, throughout the post-war period the United States (US) has served as the indispensable security guarantor for its allies in Asia and the Pacific. For the former British colonies that became Australia, this guarantee was needed in the context of declining British power in the region, the trauma of a resurgent and hostile Asian power in wartime imperial Japan, and the proximity to the country's north of geopolitically important south-east Asia – a source of raw materials, an intersection of key trade routes, and long an arena of great power competition.

Successive Australian governments of different political parties have consistently [reaffirmed](#) the importance of the US to Australia's national security, not just as an ally in the event of attack, but as a supplier of cutting-edge military technology and of complementary strategic support in the form of intelligence, diplomatic networks and economic statecraft. The '[AUKUS](#)' [partnership](#) between Australia, the US and the UK, announced on 15 September 2021, is the most recent example of this. Yet, the alliance is not without costs for Australia, including the literal cost of procuring increasingly sophisticated, and potentially increasingly [expensive](#), arms from US suppliers.

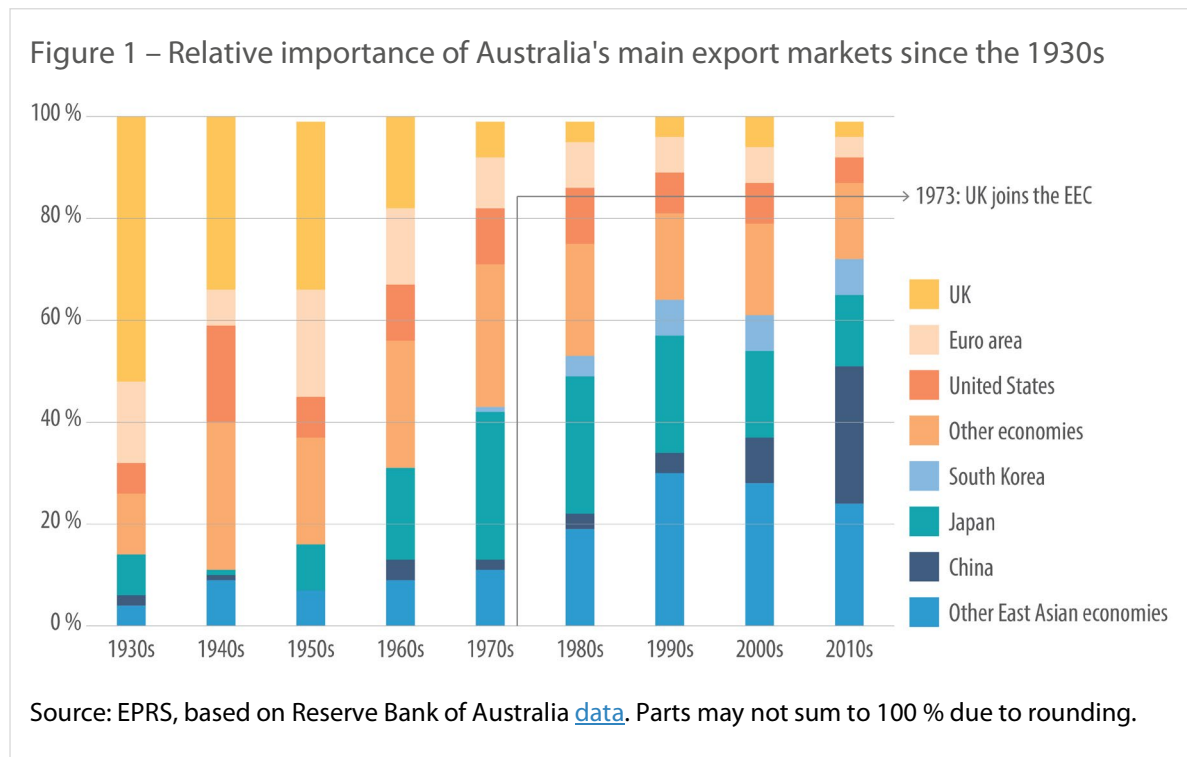
## Australia's post-war security and trading arrangements

Australia's mutual defence arrangements with the US are formalised in the 1951 [Australia, New Zealand and United States Security Treaty](#) (ANZUS), Article IV of which provides that 'Each Party recognizes that an armed attack in the Pacific Area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes'.<sup>1</sup> Australia, together with Canada and New Zealand, is also a party to the 1946 [United Kingdom-United States of America Agreement](#) (UKUSA), a [signals intelligence](#) sharing treaty also known as the 'Five Eyes' agreement. The two treaties have underpinned Australia's security for almost 70 years (Australia acceded to UKUSA in 1956), during which time Australia – uniquely among US allies – has [fought](#) alongside the US in every major US military action, including those in Korea, Vietnam, the Persian Gulf, Somalia, Timor-Leste (East Timor), Afghanistan and Iraq. Australia is also a party, together with the UK, Malaysia, Singapore and New Zealand, to the non-treaty Five Power Defence Arrangements (FPDA), formed during the '[Konfrontasi](#)' conflict between Malaysia and Indonesia in 1971, to provide for consultation on a response to a possible attack on Malaysia or Singapore. In 2020, the five countries' defence ministers' [reaffirmed](#) their commitments to FPDA, although there are [questions](#) about its relevance today.

For much of the post-war period, the US security umbrella extended by ANZUS has ensured geopolitical stability and with it prosperity through growing trading opportunities for Australia, starting with a pacified yet economically dynamic Japan, and, in time, much of the rest of Asia. In the same way that the US replaced the withdrawal of British power in Asia, so too has the Pacific rim's growing economic dynamism and weight more than [compensated](#) for the attenuation of Australia's traditional economic ties to the UK (see Figure 1).

Like Article 5 of the North Atlantic Treaty (NATO), the ANZUS Treaty's Article IV has been invoked only [once](#), by Australia in the wake of the 11 September 2001 terrorist attacks in the US, in a gesture of solidarity with the US.<sup>2</sup> While the treaty has generally been seen as beneficial for Australia, providing a small power with the backing of the world's mightiest military, it has also entailed costs. An [analysis](#) published by the Australian Parliamentary Library, shortly before the 50-year anniversary of the treaty in September 2001, noted that for half a century, ANZUS had ensured security in a region of culturally and politically distant giants; granted structured high-level access for Australian officials in Washington DC (via annual government minister-level [AUSMIN meetings](#)); and given Australia a sustained strategic edge over regional rivals through access to US military technology and intelligence. However, noted downsides included: the increasing cost of US technology, as a result of accelerating military modernisation; a related dependency on US suppliers for interoperability; perception by other partners as a mere surrogate or 'deputy sheriff' of the US; and

pressure to 'earn' US patronage by participating in conflicts that may not serve Australian core interests, with no guarantee of reciprocity.<sup>3</sup>

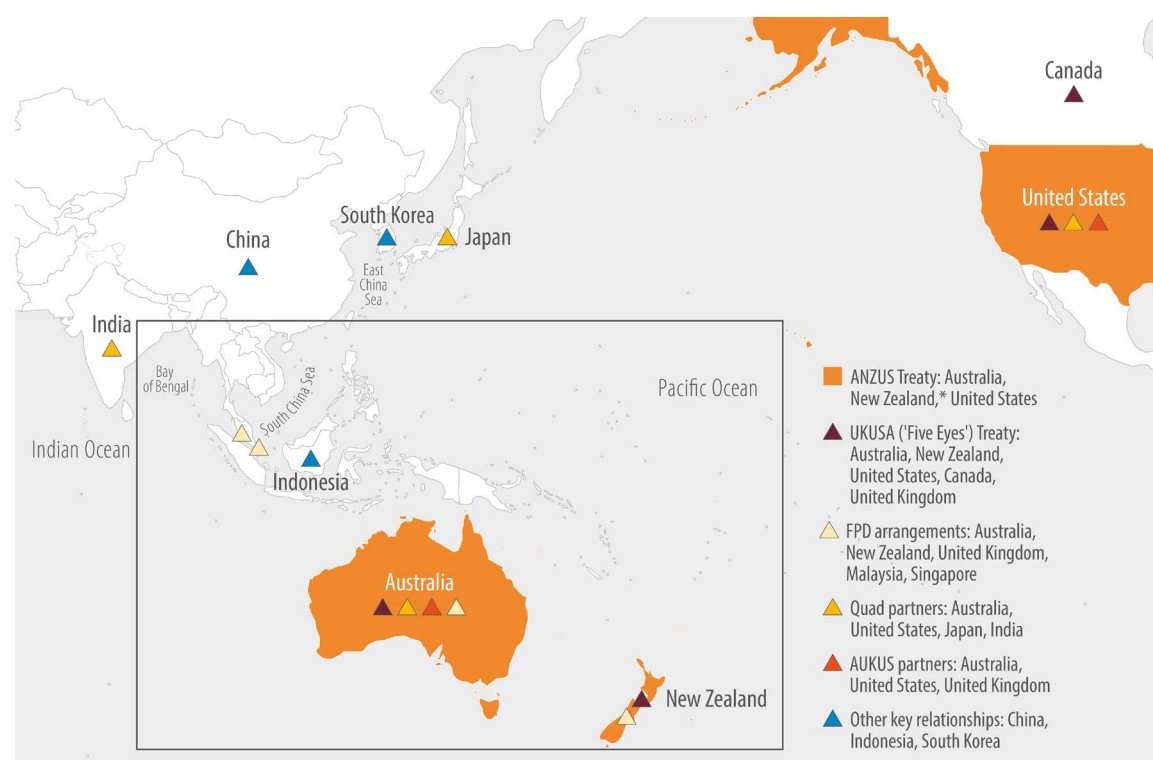


## Australia's strategic view of the Indo-Pacific

The contemporary use of the Indo-Pacific as a geopolitical concept [began](#) in Indian strategic policy circles, but Australia was the first country to use it in a government policy paper to frame its broader region, with the 2012 [white paper](#) 'Australia in the Asian Century'. That paper took stock of a dramatic shift under way in the global economy, with Asia accounting for an ever-greater share of world economic activity, trade and consumption, and offering opportunities for Australian exporters that could be maximised by deepening the country's business and cultural ties with its northern neighbours. Australia was then negotiating a free trade agreement with China, which in 2009 had become Australia's most important export destination, and in 2010 had overtaken Japan to become the world's second largest economy. The China–Australia Free Trade [Agreement](#) (ChAFTA) was concluded in 2014, coinciding with a [speech](#) by Chinese President Xi Jinping to Australia's parliament, and the announcement of a '[comprehensive strategic partnership](#)' between the two countries. The 2012 white paper presented the Indo-Pacific as an economically dynamic region with [China at its heart](#), offering opportunities to be seized through diplomatic and strategic engagement backed up by domestic educational and economic [reforms](#).

Yet, Xi's 2014 speech to Australian parliamentarians already cited some of the security challenges that would go on to complicate Australia's regional relationships, namely China's territorial [disputes](#) in the South China Sea with Malaysia, Indonesia, the Philippines and Vietnam, and Xi's intention to forcefully defend China's sovereignty, security and territorial integrity. From as early as 2015, Australia's relations with China have suffered [attrition](#) by a series of disputes: in the South China Sea; over Chinese investments in Australia and Pacific neighbours with security implications, and related Australian legislation; over apparent Chinese attempts to influence Australian politicians; and, most recently, as a result of Australia's call for an investigation into the origins of the Covid-19 pandemic.

Figure 2 – Australia's security arrangements in the Indo-Pacific and its immediate region



Source: EPRS. Australia's 2020 Defence Strategic Update defines the country's immediate region as 'ranging from the north-eastern Indian Ocean, through maritime and mainland South East Asia to Papua New Guinea and the South West Pacific'. Since 1985, New Zealand's membership of ANZUS has been limited to a bilateral mutual defence commitment with Australia.

The evolution of US policy towards the region has also shaped Australia's strategic view. What began under President Obama as a '[pivot to Asia](#)' supported by the Trans-Pacific Partnership (TPP) regional trade agreement (see 'Australia's objectives in the region'), deteriorated into a full-blown US-China trade war and strategic competition when President Trump withdrew the US from the TPP. The Trump administration's transactional and non-committal approach to partners and allies also [affected](#) Australia's strategic calculation. Consequently, the Australian view of the balance of economic opportunities and strategic challenges in the region began to shift, with the latter taking on greater significance in successive defence and foreign policy white papers: the [2016 Defence White Paper](#) (DWP), the [2017 Foreign Policy White Paper](#) (FPWP), and most recently the [2020 Defence Strategic Update](#) (DSU). Each of these three documents contains sections or stand-alone chapters with titles that refer to the Indo-Pacific. The justification given for updating the DWP with the DSU, little more than four years later, is that 'Australia's strategic environment has deteriorated more rapidly than anticipated' in the DWP, requiring urgent adjustments to the country's defence policy, capability and force structure, and the repositioning of Australian Defence Force (ADF) forces to Australia's immediate region, following US-led deployments in Afghanistan and Iraq.

In parallel, and since 2014, Australia has set about building a web of 'comprehensive strategic', 'special strategic', 'enhanced strategic' or simply 'strategic' partnerships to organise its bilateral engagement with neighbours, beginning with [Japan](#) and [China](#) in 2014, and including [Singapore](#) (2015), [France](#) (2017), [Indonesia](#) (2018), [Vietnam](#) (2018), [India](#) (2020), [Papua New Guinea](#) (2020), [Thailand](#) (2020), [Malaysia](#) (2021), [ASEAN](#) (2021) and [Germany](#) (2021).<sup>4</sup> These bilateral agendas have been coupled with two new strategic groupings: first the quadrilateral strategic dialogue (the '[Quad](#)') with the US, Japan and India – initiated in 2007 and re-launched 2017 – and then, in September 2021, the announcement of the AUKUS partnership with the US and the UK. Both of these initiatives are discussed in a separate section below.

## Australia's objectives in the region

The DWP, published in February 2016, looks ahead to the following 20 years. It identifies six key drivers shaping Australia's strategic environment: Sino-US cooperation and competition; challenges to the rules-based order; terrorism; state fragility; military modernisation; and new complex, non-geographic threats, including cyber-attacks. The DWP aims at strengthening security ties with the US and other partners to help manage an increasingly challenging security environment, and lifts Australian defence spending to AUS\$575 billion (approx. €360 billion) over the eleven-year period 2020-2030, or well above 2 % of Australia's projected gross domestic product, from a 2010-2019 [average](#) of 1.87 %. The budget increase is designed to prepare the ADF 'for the more complex and high-tech conflicts of the future', including through investments in modern space and cyber capabilities. It also reaffirms the government's commitment to a 'strong, internationally competitive and sustainable Australian naval shipbuilding industry'.<sup>5</sup> The FPWP, published in November 2017, adopts a 10-year horizon and builds on the DWP, taking into account other longstanding Australian interests including the development of Pacific island neighbours, many of them also beneficiaries of China's Belt and Road Initiative (BRI). However, the FPWP emerged in a context that had already changed in at least one important respect since the DWP: the arrival of the Trump administration. The FPWP is 'focused on our region, determined to realise a secure, open and prosperous Indo-Pacific, while also strengthening and diversifying partnerships across the globe'.

The DSU retains the six key drivers identified in the DWP, but argues that they are accelerating, and that the risk of conflict between states has become less remote. The Indo-Pacific has become 'more contested and apprehensive', a state of affairs made worse by the Covid-19 pandemic, which affected supply chains, impacting unevenly on countries' economic growth, and exacerbating strategic rivalries. As a result, Australia needed to strengthen its ability to project military power and deter actions against it. The DSU has been described as the '[most significant](#)' change to Australia's security strategy in a generation, and a response to a region that will be 'poorer, more dangerous and more disorderly'.

### A free and open Indo-Pacific

The strategic policy papers echo [Japan's call](#) for a 'free and open Indo-Pacific' (FOIP), also advocated by the US. The [meaning](#) of the concept is [debated](#), but Australia's FPWP focuses on three elements. First, the free flow of goods and services between open markets, to maximise the region's potential

### Freedom of navigation operations

Freedom of navigation (FON) is a principle found in, yet predating, the 1982 United Nations [Convention](#) on the Law of the Sea (UNCLOS), the international agreement that establishes the overarching legal framework for all ocean- and sea-borne activities, and defines states' rights and responsibilities in this regard. Freedom of navigation operations ([FONOPs](#)) entail the passage of one state's vessels through waters administered or claimed as territorial sea by another state. This may be done to assert the right of 'innocent passage' through the other state's territorial seas, provided for by UNCLOS; or to challenge entry, notification or authorisation requirements imposed by the other state and perceived by the protesting state to be a violation of UNCLOS or customary international law. UNCLOS does allow for restrictions to be placed by coastal states on innocent passage by other states' vessels, but the scope and application of these provisions is partly [disputed](#) among states.

Despite not having ratified UNCLOS itself, the US seeks to enforce the principle of freedom of navigation enshrined therein, including innocent passage, by way of a FONOP [programme](#), the 1979 establishment of which predates UNCLOS's entry into force in 1994. [Since 2015](#), the US has increased the number of FONOPs in the South China Sea (SCS), the site of conflicting territorial and maritime claims by China, Brunei, Indonesia, Malaysia, the Philippines, Taiwan and Vietnam. China's claims are the most [expansive](#), and, while the US maintains that its SCS FONOPs are not directed at any single state, they are generally [understood](#) to be aimed at countering China's efforts to achieve a position of strategic dominance of one of the world's key trade transit routes.



prosperity and security of supply. Second, freedom of navigation (see box) and overflight in some of the world's most important maritime economic arteries, to maintain open sea lanes of communication, particularly in the South China Sea and Indian Ocean. Third, freedom from the use of force or coercion, whether through force of arms, 'grey zone' operations, or geo-economic tools.

The DSU sets out the fast-evolving challenges in Australia's security environment, and determines that Australia should strengthen both its actual, and its perceived, ability to deploy military power to shape its strategic environment, deter actions against its interests and, 'when required', respond with military force.<sup>6</sup>

### A secure, stable, prosperous and rules-based Indo-Pacific

The DWP anticipates that the roles of, and relationship between, the US and China will be the most strategically important factors in the Indo-Pacific over the following two decades. The FPWP refers to a profound strategic transition, and underlines Australia's interest in the region's peaceful evolution and the preservation of principles underpinning prosperity and cooperation. It also recommends both close ties to the US, and constructive engagement with China based on the 2014 comprehensive strategic partnership; and notes that Australia encourages China to 'exercise its power in a way that enhances stability, reinforces international law and respects the interests of smaller countries and their right to pursue them peacefully'. Rather than seeking to limit or arrest China's rise, the FPWP welcomes China's growing capacity to share responsibility for regional and global security. The FPWP also sees the potential for a pan-regional trade agreement that includes both China and the US to reduce geo-economic friction.

The DSU reiterates the centrality of the US-China dynamic, but notes that China has become more active since 2016 in trying to expand its regional influence. It also observes a growing number of, and widening range of sources of, threats and disruptions to the rules-based international order.

One of the ongoing threats to regional stability discussed in the FPWP is the role of North Korea, described as a 'grave and growing threat' and the region's most immediate security challenge. The FPWP observes that North Korea's role in nuclear weapons proliferation harms Australia's interests, that conflict on the Korean peninsula would bring major strategic, economic and humanitarian disruption, and that a North Korean attack on US forces would trigger Australia's ANZUS commitments. The FPWP says that Australia will continue to work with partners, including China, to pressure North Korea to end 'dangerous behaviour', including by implementing relevant UN resolutions.

### Regional trade integration

The FPWP states that Australia supports an 'inclusive and open approach to economic integration' and region-wide FTAs that create a single set of trade and investment rules for 'the major Indo-Pacific economies'. Two such regional FTAs cited in the FPWP are the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ([CPTPP](#)), and the Regional Comprehensive Economic Partnership ([RCEP](#)).

The CPTPP includes Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam, and first entered into force on 30 December 2018, between Australia, Canada, Japan, Mexico, New Zealand, and Singapore, after those countries had both signed and ratified the agreement. It was subsequently ratified by, and entered into force in: Vietnam on 14 January 2019, and Peru on 19 September 2021. The CPTPP evolved from the Trans-Pacific Partnership agreement (TPP), which was signed by the US in February 2016 as part of the Obama administration's '[pivot to Asia](#)', but never entered into force because the Trump administration withdrew the UA in January 2017. Neither the TPP nor the CPTPP negotiations included China, though China applied to accede to the CPTPP in September 2021.

The 15 signatories to the RCEP are Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Vietnam, South Korea, and Thailand.

It entered into force on 1 January 2022, in the ten countries that had ratified the agreement: Australia, New Zealand, China, Japan, Singapore, Brunei, Cambodia, Laos, Thailand and Vietnam.

The FPWP argues that a single, region-wide trade agreement, encompassing both the US and China would 'reduce economic tension' and maximise growth prospects, though this appears to be at odds with [some analysts'](#) assessment that the TPP was initially designed to 'contain' China in international trade. [Other analysts](#) argue that the TPP was not aimed at containing or excluding China, so much as pressuring it to comply with Western trade and economic policy norms.

### Cooperation with south-east Asia and resolution of South China Sea disputes

The FPWP notes that ASEAN countries have collectively overtaken the US as Australia's second-most important trade partner, and identifies ASEAN as a cornerstone of regional prosperity. It therefore identifies both bilateral relationships with south-east Asia and support for ASEAN as priorities. Military cooperation with Singapore and Malaysia through the FPDA are also mentioned, while Indonesia is cited as one of the region's 'major democracies', with which Australia can work to shape the rules and norms in the region. Since the publication of the FPWP, Australia has [upgraded](#) its defence cooperation arrangements with Indonesia, though Australia-Indonesian relations have been described as ['zigzagging'](#) upwards as a result of periodic bilateral frictions, including Indonesia's [critical reaction](#) to the AUKUS announcement (see below).

The FPWP does not take a position on competing territorial and maritime rights claims in the SCS, but it does support the FON principle, as well as efforts by SCS states to negotiate a code of conduct for the region (a stance mirrored by the [EU](#)), in line with the July 2016 UNCLOS [ruling](#) in favour of the Philippines and against China – which Australia has called on both parties to accept as binding. The FPWP also calls on all claimants to halt land reclamation and reconstruction activities, while singling out China's activities as a particular concern. While Australia has conducted what have been described as 'routine FONOP overflights' of the SCS, it has been [reluctant](#) to formally join US-led FONOPs, with former Foreign Minister Julie Bishop [warning](#) the Australian Parliament that doing so could escalate tensions in the region. However, Australia has come under [increasing pressure](#) from the US to participate.

### Resilient South Pacific neighbours

Australia is a member of the Pacific Islands [Forum](#) (PIF) and, like New Zealand, the US, Japan, France and the EU, is also a long-time contributor of development aid and security support to its South Pacific island state neighbours.<sup>7</sup> At the Pacific Island Forum Leaders' Meeting in September 2016, Australia [announced](#) a new 'Pacific step-up' policy for the region, aimed at strengthening Pacific nations' climate and disaster resilience and economic growth; and funding improvements to health care, education and social cohesion. The new policy is identified as a priority in the DWP, the FPWP and the DSU. Australia is the largest donor in the region, [contributing](#) AD\$788 million (approximately €875 million) in aid in 2020. For comparison, in the same year, the EU provided the equivalent of AD\$146 million in aid to the region.

Most of the PIF's 18 member states are recipients of development aid, and many are [projected](#) to be hit especially hard by rising sea levels and the increased incidence of natural disasters associated with climate change, which will require further support in the form of adaptation and mitigation, as well as civil defence and disaster relief. Correspondingly, the Australian government has been criticised both [domestically](#) and by its Pacific [neighbours](#) for not doing enough to mitigate its greenhouse gas emissions.

Many countries in the region are now also receiving [support](#) from other powers, including China, through its BRI, with Chinese aid to the region [amounting](#) to the equivalent of AU\$117 million in 2020. The DSU strengthened the focus on military training activities, infrastructure development and maritime capability, and Australia's 'Pacific Step Up' is [perceived](#), in part, as a response to the BRI.

## Revival of the Quad and the launch of AUKUS

The DWP, the FPWP and especially the DSU all describe a more challenging strategic environment for Australia than that perceived at the time of Australia's last foreign policy white paper published in 2012. In response, Australia has sought to structure its engagement with international partners through multiple strategic partnerships, described above. In addition to these bilateral agreements, Australia has joined selected partners in two further 'minilateral' formats.

### The Quad

The Quad, short for Quadrilateral Security Dialogue, which brings together Australia, the US, Japan and India, is not a formal treaty or agreement, but a framework for joint military exercises and coordination on responding to shared regional challenges, including the pandemic, climate change, critical and emerging technologies, counterterrorism, cybersecurity, and disaster relief and recovery.<sup>8</sup> It is supported by bimonthly meetings of foreign ministry officials and annual meetings of foreign ministers. The Quad is [perceived](#) as a response to China's growing power and assertiveness in the Indo-Pacific, and has been [described](#) by China as a type of 'Asian NATO', despite the fact that, unlike NATO, it is [not a mutual defence treaty](#).

The Quad was originally proposed by Japan's Shinzo Abe government in 2007, and thus pre-dates Australia's 2016-2020 strategic update. However, having entered a period of diplomatic dormancy in 2008, triggered in part by Australia's preference at the time to pursue closer economic and strategic ties with China, the Quad was relaunched in October 2017, under the impetus of, again, Abe's Japan, as well as the Trump administration in the US. At this juncture, both Australia and India had experienced a worsening of their bilateral relations with China, and were therefore more [receptive](#) to the idea of a 'Quad 2.0'. On 6 January 2022, the prime ministers of Australia and Japan signed the Japan-Australia Reciprocal Access [Agreement](#), a bilateral security and defence [pact](#) allowing reciprocal access by each party's armed forces to the other party's territory.

### AUKUS

On 15 September 2021, one day before the 2021 annual AUSMIN meeting and nine days before the four Quad leaders were scheduled to gather in Washington DC, the leaders of Australia, the US and the UK [announced](#) the creation of a new trilateral security partnership called AUKUS. The

### What AUKUS means for the EU

The AUKUS announcement was made on 15 November 2021, one day before the European Commission and the High Representative published a joint [communication](#) on the EU strategy for cooperation in the Indo-Pacific. Although the EU's strategy does not include any military hardware procurement arrangements with regional partners, it does seek to support individual EU Member States' efforts to contribute to maritime security in the region. In a [statement](#) on 20 September 2021, High Representative of the EU for Foreign Affairs and Security Policy, Josep Borrell (HR/VP), assessed that the AUKUS announcement, made with apparent disregard for the EU's own planned announcement, ran counter to EU-US cooperation in the region. Nevertheless, Australia's 2017 FPWP identifies the EU as a 'like-minded partner' that can help Australia to support international rules and institutions.

One [analysis](#) published by the CEPS think-tank suggests that the EU must contend with a difficult trade-security binary in its approach to the Indo-Pacific, and risks upsetting the US if it is seen to focus too much on the former. [Another](#), by the Pacific Forum, argues that AUKUS is likely to complicate Europe's deepening cooperation with Australia in other areas. In the wake of AUKUS, France has [sought](#) to push forward the EU debate about European [strategic autonomy](#).

On 6 December 2021, David McAllister (EPP, Germany) presented a draft [report](#) to Parliament's Subcommittee on Security and Defence (SEDE) on 'The EU and the security challenges in the Indo-Pacific'. In his draft, the rapporteur writes that 'strong EU-Australia relations are important for the stability of the region and that these should be further advanced and not affected by the conclusion of AUKUS'. He also calls on the HR/VP to explore the possibility of a formal permanent dialogue with AUKUS and EU representation at meetings of the Quad. At the time of writing, the committee is scheduled to vote on the report, following amendments, in late March 2022, with a plenary vote expected in May 2022.



arrangement should serve as a vehicle for cooperation between the three countries on military and undersea capabilities, as well as cyber, artificial intelligence, quantum technologies, and other critical technologies. However, the cornerstone of the arrangement is an agreement for the Royal Australian Navy to procure, and for the US and the UK to sell and help build, at least eight nuclear-powered submarines. Australia would also buy long-range missiles, and the military hardware part of the arrangement is intended to promote joint capability and interoperability. The AUMSEC 2021 [statement](#) says that the three parties will spend the following 18 months exploring 'the optimal pathway to deliver this capability', including whether the new submarines will be of the US Virginia class or the UK Astute class, and on 22 November 2021, the three parties [announced](#) that they had signed an agreement to share information on naval nuclear propulsion. However, beyond this first step, no clear commitment has yet been made in terms of construction or delivery, other than that construction would [begin](#) by the close of the 2020s, and the first submarines would be operational by the end of the 2030s.

In a press release [published](#) on 16 September 2021, Australia's prime, foreign and defence ministers wrote that 'AUMSEC will complement Australia's network of strategic partnerships, including with our ASEAN friends, our Pacific family, our Five Eyes partners, the Quad and other like-minded partners'. One partner not expressly mentioned in this list was France, with which Australia had announced an enhanced strategic partnership in March 2017, following a 2016 agreement with France's DCNS (now known as Naval Group) to procure 12 diesel-electric-powered Shortfin Barracuda submarines. The AUMSEC announcement entailed the [cancellation](#) of this purchase agreement. France reacted to the news by recalling its ambassadors to Australia and to the US, and at the time of writing a diplomatic rift persists between the two countries, which former Australian Prime Minister Kevin Rudd has [speculated](#) could have consequences for Franco-Australian cooperation in the South Pacific, the SCS, and broader efforts in the Indo-Pacific by democratic countries to respond to China's rise.

The reaction from Australia's other neighbours to the nuclear submarine element of AUMSEC has been [mixed](#). In south-east Asia, Indonesia reacted '[cautiously](#)', expressing concern about the possibility of a regional arms race and calling on Australia to comply with its nuclear non-proliferation commitments. In October 2021, Indonesia announced that it would seek a review of the 1970 [Non-Proliferation Treaty](#) aimed at preventing non-nuclear-armed states like Australia from acquiring nuclear propulsion technology. Malaysia also stated that it was '[worried and concerned](#)' about the risks of proliferation, as well as the implications for '[ASEAN centrality](#)', and the associated Southeast Asia Nuclear Weapon-Free Zone ([SEANWFZ](#)) and Zone of Peace, Freedom and Neutrality ([ZOPFAN](#)).<sup>9</sup> The response from the Philippines, a US treaty ally and host to US forces, which has taken strategic [distance](#) from the US since 2016, was mixed but ultimately [positive](#). The responses from Singapore and Vietnam were '[measured](#)', while that from Thailand was 'circumspect'. In the South Pacific, New Zealand welcomed the increasing international engagement in the region, whilst at the same time confirming that nuclear-propelled vessels would remain barred from its waters, while some other Pacific island countries, such as [Fiji](#), expressed concern about the implications for the 1985 South Pacific Nuclear Free Zone Treaty ([SPNFZ](#)).

Two justifications were given by Australia for cancelling the agreement to purchase conventional submarines from France and replacing them with US or UK nuclear-propelled versions. First, the announcement followed [months](#) of public speculation in Australia about its future in the context of delays and ([disputed](#)) cost overruns. Second, and most relevant to Australia's broader strategic reset as expressed by the 2017-2020 policy papers, the Australian government changed its cost-benefit analysis of acquiring nuclear propulsion technology. [According](#) to former Australian Prime Minister (and former cabinet colleague of the current Australian prime, foreign and defence ministers), Malcolm Turnbull, while his and previous Australian governments had also appreciated the strategic advantage, in terms of range and stealth, of nuclear propulsion technology when planning the [replacement](#) of Australia's current Collins-class diesel-powered submarines, they had accepted civil service advice that Australia's lack of a domestic civil nuclear industry would make the country

reliant on other partners for servicing any nuclear-propelled submarines that Australia might acquire. The current government's 16 September 2021 press release argues that the decision should be seen in the context of growing security challenges in the Indo-Pacific, military modernisation of unprecedented speed, and a narrowing technological edge for Australia and its partners. It now appears to believe that these threats outweigh the disadvantage of offshore servicing of its submarine fleet.

As indicated by the interventions of former Prime Ministers Turnbull (Liberal party) and Rudd (Labor party) cited above, the decision to acquire nuclear-propelled submarines under AUKUS has impacted not only on Australia's external relations, but also provoked [debate](#) within the country, and even [within](#) the two main political parties. Paul Keating, Labor party Prime Minister from 1991 to 1996, has also [criticised](#) the arrangement as an affront to Australia's Asian partners, a surrendering of strategic autonomy to the US, and a misplaced investment in the 'jaded and faded Anglosphere'. On the other hand, Tony Abbott, Liberal party Prime Minister from 2013 to 2015, [welcomed](#) the announcement. The current Labor party opposition has offered its 'qualified support', while criticising the government's handling of relations with France, and challenging it to provide assurances that Australia's military capability would remain independent of the US. Given the multi-decade timescale of the AUKUS procurement plans, it remains to be seen how they will be adapted to the shifting strategic priorities of different governments in Australia, the US, the UK and beyond.

## Australia's strategic outlook

In Australia's own assessment, its strategic environment has become more challenging since the 2016 DWP. The primary reason given for this in the 2020 DSU is China's increasing power, that country's growing challenge to the US-led Indo-Pacific order, and the growing possibility of state-on-state conflict. The DSU also refers to the impact of the Covid-19 pandemic in sharpening strategic US-China competition. The revival of the Quad format and the announcement of AUKUS can likewise be seen as expression of this assessment.

Australia's Lowy Institute think-tank, in a December 2021 [update](#) to its annual Asia Power Index report, noted that the pandemic had reduced the 'comprehensive power' of almost all the covered states, including Australia and China, but with the exception of the US.<sup>10</sup> It also found that the region had become more 'bipolar', with Japan and India lagging behind China, and Australia more dependent on the US. While Australia's [overall score](#) had declined since 2020 by 1.6 points, it gained points in 'resilience' (defined as 'the capacity to deter real or potential external threats to state stability') in the geo-economic sphere, given that sustained iron ore exports to China and trade diversion to other export markets had offset China's punitive tariffs on some Australian imports. At the same time, the report found that, although AUKUS is expected to eventually allow Australia to project power at long range in its region, the country's military capability and defence networks had declined in relative terms since 2020.

## MAIN REFERENCES

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## ENDNOTES

- <sup>1</sup> In 1985, the US formally [suspended](#) its ANZUS Treaty security guarantee to New Zealand in response to a policy of banning nuclear-armed or -propelled vessel visits to New Zealand ports, including US vessels. However, ANZUS remains operational between New Zealand and Australia. The current New Zealand government has [confirmed](#) that any future nuclear-propelled Australian submarines built under AUKUS would be banned from New Zealand waters under the 1987 [New Zealand Nuclear Free Zone, Disarmament, and Arms Control Act](#), but has [signalled](#) openness to collaborating on other elements of AUKUS.
- <sup>2</sup> NATO Treaty Article 5 was invoked by the US after 9/11.
- <sup>3</sup> The surrogate or 'deputy sheriff' tag is a persistent concern. In advance of the Australian-led international force deployment to Timor-Leste (East Timor) in 1999, responding to clashes that followed a referendum on independence from Indonesia, the US sought to [reassure](#) Indonesian forces that the US did not view Australia's role in those terms. In a September 2021 [speech](#) criticising the AUKUS announcement, former Australian Prime Minister Malcolm Turnbull recalled being asked by one neighbouring country's foreign minister 'If Australia is seen as just a branch office of the US, why should we take much time with you – better to talk direct to head office'.
- <sup>4</sup> The value of Australia's strategic partnerships has been [questioned](#). When, in May 2020, Prime Minister Scott Morrison reminded China of the partnership as a tool for defusing bilateral tensions, he was [reportedly](#) met with silence.
- <sup>5</sup> Under the terms of Australia's 2016 agreement with France's DCNS (now Naval Group) to build 12 diesel-electric-powered Shortfin Barracuda submarines, [construction](#) would have taken place in Adelaide, Australia, thereby supporting Australia's shipbuilding industry. It is [not yet clear](#) where the submarines acquired under AUKUS will be built, though Prime Minister Morrison has [said](#) that he intends for these, too, to be built in Australia.
- <sup>6</sup> In an interview [published](#) on 12 November 2021, Australia's Defence Minister Peter Dutton said it was 'inconceivable' that Australia would not assist the US militarily in a conflict with China over Taiwan.
- <sup>7</sup> On 6 October 2021, the Australian government [announced](#) that it was ending an agreement with Papua New Guinea to detain asylum seekers who have attempted to enter Australia illegally for processing. A similar [agreement](#) with Nauru will remain in place. Both countries are fellow members of the Pacific Islands Forum. Separately, in response to the outbreak of [riots](#) in the Solomon Islands capital Honiara on 24 November 2021, Australia has deployed peace-keeping troops at the request of the Solomon Islands authorities.
- <sup>8</sup> The Quad is the subject of a separate [EPRS briefing](#) published in March 2021.
- <sup>9</sup> A Malaysian initiative, ZOPFAN was endorsed by ASEAN in 1971, and [intended](#) to shield Southeast Asia from major power rivalry during the Cold War. Adopted as a treaty by ASEAN in 1995, SEANFWZ prohibits member states from possessing nuclear weapons. In 2020, ASEAN [reaffirmed](#) its commitment to both ZOPFAN and SEANFWZ, but the former has been described as a ['dead letter'](#).
- <sup>10</sup> The index is a composite of the following eight factors: resilience, economic capability, future resources, cultural influence, military capability, defence networks, diplomatic influence, and economic relationships.

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