



# Australia: Background and U.S. Relations

## Overview

Australia's relationship with the United States, forged as allies in all major U.S. wars, remains close. The two countries enjoy close trade, political, cultural, intelligence, and defense relations, and maintain close people-to-people ties. As geopolitical uncertainty in the Indo-Pacific has increased, the alliance has deepened. Driven by concerns about the People's Republic of China's (PRC's or China's) military and economic rise, the governments of Australia, the United Kingdom (UK), and the United States launched the "AUKUS" partnership in September 2021. AUKUS is intended to provide Australia with nuclear propulsion technology for its next generation submarines and to jointly develop advanced military capabilities. Congressional approval and involvement is required throughout AUKUS implementation. Australia and the United States have embraced the Quadrilateral Security Dialogue (or "Quad," with Japan and India), further aligning regional strategies.

## History, Politics, and Governance

Australia was first inhabited between 40,000 and 60,000 years ago. The Aboriginal population were hunter-gatherers; Aboriginal and Torres Strait Islander people now make up 3.8% of Australia's population. Britain colonized Australia from 1788—when Britain established a penal colony there—to 1901. That year, Australia became the Commonwealth of Australia, a dominion of the British empire that was sovereign in its domestic affairs; Australia established control over its external affairs over the course of the next four decades. The United States recognized Australia's independence and established bilateral relations in 1940. The country's parliament is bicameral, with a House of Representatives and a Senate. Elections occur at least once every three years, but the government can call early elections. The Labor Party and the Liberal-National Party Coalition are the country's two main political forces.

Prime Minister Albanese of the Labor Party has stated his intention to hold a referendum on Australia becoming an independent republic and removing the British King as Head of State, but has not committed to a timeframe. In October 2023, a referendum on a proposed constitutional amendment that would have created an Aboriginal and Torres Strait Islander body to advise parliament failed with a vote of 60% to 40%. Supporters saw the amendment as a way to increase Indigenous representation in policymaking, while opponents claimed the legislation would divide the population and hinder decisionmaking.

## Economics and Trade

The Australia-United States Free Trade Agreement (AUSFTA) came into force in 2005. The U.S. goods trade surplus with Australia was \$17.7 billion in 2023, a 23.2% increase from 2022. The United States is Australia's largest foreign investment destination. Top Australian exports and

services include raw materials, energy, agriculture, and tourism. Australia is among the world's top exporters of energy and resources, including lithium, cobalt, and other critical minerals. China is Australia's largest two-way trade partner and accounted for 26.8% of Australia's global trade in 2023. Although the two countries signed a Free Trade Agreement in 2015, China restricted some imports from Australia in 2020 following Canberra's endorsement of an inquiry into the origins of the COVID-19 disease. China began lifting those trade restrictions in 2023 and Australian goods and services exports to China in 2023 increased by more than 18% compared to 2022.

### Australia: Key Facts

**Government:** Federal parliamentary democracy  
**Head of State:** King Charles III is represented by Australian Governor General Samantha Joy Mostyn  
**Head of Government:** Prime Minister Anthony Albanese  
**Population:** 26 million; 2.4% growth; 86% urban (2023 est.)  
**Life expectancy:** 83 years (2022 est.)  
**Area:** Slightly smaller than the contiguous 48 U.S. States  
**GDP:** Per capita \$65,370 with 1.6% growth (2023 est.)  
**Natural Resources:** Alumina, coal, iron ore, copper, tin, gold, silver, uranium, rare earth elements  
**Exports / Destinations:** Iron ore, coal, natural gas, gold, aluminum oxide, meat, wool, wheat / China 40.84%, Japan 12.38%, South Korea 6.5%, United States 5.3%  
**Exchange Rate:** A\$1.47 : US\$1 (7/12/2024)

Source: The World Bank

## Strategic Outlook

The Australian government's assessment of its security environment has shifted considerably in the past decade, from a relatively more benign one in the mid-2010s to a markedly deteriorated one in 2023. The primary driver of this shift was the emergence of great-power competition between the United States and China, as well as multiple instances of alleged PRC interference in Australian politics since 2017. A 2024 Lowy Institute poll found that more than 70% of Australians think China is somewhat or very likely to become a major military threat in the next 20 years, up from 45% of Australians in 2018.

The Australian government is reorienting elements of its military strategy, force structure, and procurement practices. It has laid out plans to increase defense spending and grow its military capabilities, and allocated \$US37.5 billion for FY2025, 2.02% of its GDP. Australia plans an additional \$33.8 billion in defense spending over the decade until 2033-2034. Australian governments also have responded to China's outreach to the Pacific with renewed diplomatic engagement in the region.

Australia's government has taken measures to guard against PRC influence in Australian politics and society. In 2018, the Australian parliament passed laws on espionage, foreign interference, and foreign influence, and the government blocked China's Huawei from participating in Australia's development of its 5G mobile network. In July 2024, Australia joined the United States, Canada, Germany, Japan, New Zealand, and the UK in issuing a joint-advisory about a PRC-sponsored cyber group targeting government and private sector networks.

**Figure 1. Australia**



**Source:** Map prepared by Amber Wilhelm, CRS.

### Ties with the United States and Other Partners

Australia has been a U.S. treaty ally since the 1951 Australia-New Zealand-United States (ANZUS) Treaty. Australia sent troops to support the Allies in the First and Second World Wars, and in the conflicts in Korea, Vietnam, Iraq, and Afghanistan. Australia also partners closely with the United States through the “Five Eyes” intelligence-sharing arrangement, which also includes Canada, New Zealand, and the UK. U.S. armed forces operate on a rotational basis from several Australian military bases. The defense relationship includes bilateral and multilateral military exercises such as the Talisman Sabre, RIMPAC, and Malabar exercises. A 2024 poll found 83% of Australians see the U.S.-Australia relationship as “very important” or “fairly important” to Australia’s security. The annual Australia-U.S. Ministerial (AUSMIN) consultations are central to the bilateral relationship. The 2023 AUSMIN Joint Statement emphasized “shared challenges” and the need to “uphold an open and stable international order,” language observers interpret as referencing shared concerns about economic and military competition with China. Since Russia’s 2022 invasion of Ukraine, Australia has provided over \$1 billion in military aid to Ukraine and has participated—with Japan, New Zealand, and South Korea—in the annual NATO summit.

**AUKUS.** AUKUS Pillar 1 allows for Australia to purchase 3-5 U.S. Virginia-class nuclear-powered attack submarines (SSNs) in the 2030s as authorized in the 2024 National Defense Authorization Act (NDAA). Simultaneously, the three countries plan to develop a new class of SSN AUKUS boats based on the UK’s next-generation design that incorporates technology from all three countries, including

cutting edge U.S. submarine technologies. Pillar 2 focuses on joint development of advanced military capabilities in technological areas such as AI, cyber, hypersonic and counter-hypersonic, electronic warfare, and quantum technologies, and functional areas such as innovation and information sharing. Some observers describe AUKUS as the most significant security arrangement among the three nations in a generation; others question the costs, benefits, and potential barriers to implementing Pillar 1 in particular.

### Japan and the Reciprocal Access Agreement (RAA)

Australia has upgraded its strategic relationship with Japan in the past 15 years. In January 2022, the two countries signed a Reciprocal Access Agreement that establishes procedures for visiting forces from each other’s militaries, allowing for closer cooperation and joint exercises. Although not as formalized as the U.S.-Japan or U.S.-Australia alliances, the agreement allows for enhanced trilateral cooperation. Japan and Australia also hold regular “2+2” meetings of their foreign and defense ministers.

**The Quad.** Australia has bolstered relations with like-minded democracies through the Quadrilateral Security Dialogue. In their first-ever joint meeting in 2021, the leaders of the four countries issued a statement recommitting to “promoting the free, open, rules-based order, rooted in international law and undaunted by coercion, to bolster security and prosperity in the Indo-Pacific and beyond.” Initially, they focused on COVID-19, global health, infrastructure initiatives in the region, climate change, people-to-people exchanges and education, critical and emerging technologies, cybersecurity, and space. The most recent Quad Summit met in Japan in May 2023.

### Climate Change

PM Albanese’s government has prioritized intensifying efforts to combat climate change. In 2022, parliament passed into law a climate change bill—championed by Albanese and the Labor Party—that pledged to reduce carbon emissions by 43% below 2005 levels by 2030, with a goal of net zero by 2050. (The United States has set a target of 50%-52% reductions over 2005 levels by 2030.) In July 2024, Australia’s government introduced the Future Made in Australia Bill, which aims to strengthen the country’s economy during its energy transition. The bill contains the National Interest Framework, which if passed would focus on increasing private sector investment in industries including renewable hydrogen, critical minerals processing, green metals, low carbon liquid fuels, and clean energy manufacturing. Projections suggest Australia will continue to experience rising temperatures, more frequent floods, coral bleaching, ocean acidification, droughts, and bushfires due to climate change. Australia has one of the world’s highest levels of greenhouse gas emissions per capita, and was the world’s third-largest exporter of fossil fuels in 2022.

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