



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 and focuses heavily on trade and security cooperation. The United States and Australia enjoy close people-to-people, trade, political, cultural, intelligence, and defense relations. As geopolitical uncertainty in the Indo-Pacific has increased, the alliance has deepened significantly. Driven by shared concerns about the People's Republic of China's (PRC) military and economic rise, the governments of Australia, the United Kingdom, and the United States launched a partnership in 2021 to provide Australia with nuclear propulsion technology for its next generation submarines. The Australia-UK-U.S. (AUKUS) initiative is also slated to develop advanced military capabilities trilaterally. AUKUS requires congressional approval and involvement throughout the implementation. Australia has embraced the Quadrilateral Security Dialogue (or "Quad", including the United States, Japan, and India), further aligning it with U.S. strategy in the region.

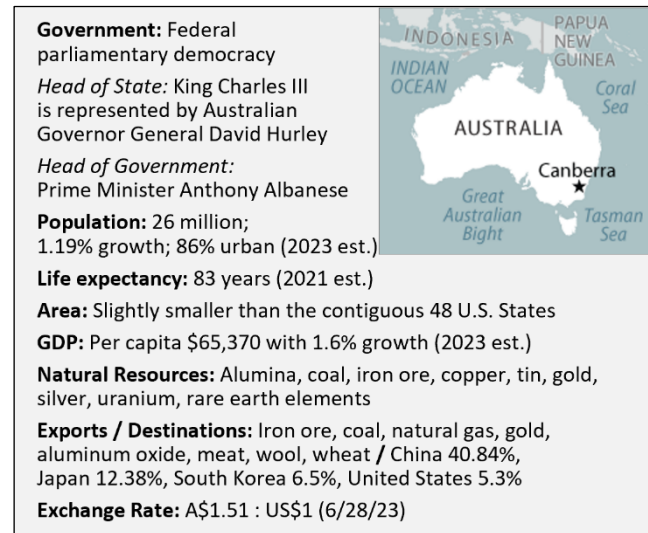
Background

Australia was first inhabited between 40,000 and 60,000 years ago. The Aboriginal population were hunter-gatherers with a complex spiritual culture focusing on creation myths, rituals, and connections to ancestors and the Australian landscape. Captain James Cook claimed Australia for Britain in 1770, and in 1788 the first European settlement, largely made up of British convicts, was established. Australia evolved into a pastoral settler society based on sheep, wool, and minerals, but is now one of the world's most urbanized countries. Although geographically in the Indo-Pacific, Australia continues to have deep cultural ties with the West, particularly the United States and Britain.

Political Setting

Australia is an independent nation in the British Commonwealth, and is a federal parliamentary constitutional monarchy. In Canberra, 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 two main political forces in Australia. In May 2022, Labor Party Leader Anthony Albanese defeated Scott Morrison of the Liberal Party to become Prime Minister (PM) of Australia. Labor won 77 of 151 Representative seats, and the Coalition won 58 seats. Each won 15 out of 40 Senate seats. Climate change policy appeared to be a decisive issue, as the election yielded gains for the Green Party and unexpected wins for "Teal" independent candidates, known for their fiscal conservatism and environmental advocacy.

Figure 1. Australia in Brief



Economics and Trade

The Australia-United States Free Trade Agreement (AUSFTA) came into force in 2005. The U.S. trade surplus with Australia was \$14 billion in 2021, a 56% increase from 2020. 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 three exporters of energy and resources, including lithium, cobalt, and other critical minerals. China is Australia's largest two-way trade partner and accounts for approximately one-third of Australia's global trade. Although the two countries signed a Free Trade Agreement in 2015, China has restricted some imports from Australia; some observers say these sanctions are in response to Australian attempts to curb PRC efforts to influence Australian politics. Regardless, Australian exports to China increased in 2021.

Strategic Outlook

Several decades of Australia's trade relationship with China, and Australia's strategic relationship with the United States, are central to Canberra's geopolitics. Amid recent troughs in Australia-PRC relations, Australia has bolstered the U.S. alliance, and deepened strategic ties with Japan and other nations. Since 2017, multiple instances of alleged PRC interference in Australian politics—as well as China's sanctioning of Australia following Canberra's endorsement of an inquiry into the origins of the COVID-19 disease—have degraded Australian public perceptions of China. A 2023 poll finds that 75% of Australians think China will become a major military threat in the next 20 years; in 2018, 45% of Australians believed that prediction.

Australia's government has taken measures to thwart what some officials see as the PRC's undue influence in

Australian politics and society. In 2018, the Australian parliament passed new laws on espionage, foreign interference, and foreign influence, and the government of former PM Malcolm Turnbull blocked China's Huawei from participating in the Australia's development of its 5G mobile network. Former PM Morrison signaled a change in Australia's defense posture with the 2020 Defence Strategic Update. Under this plan, Australia is to increase defense spending 7% by 2024 to reach US\$35.07 billion, which would put defense spending at 2.04% of GDP. Since the Update, Australia has announced an additional US\$28 billion in defense spending over the decade until 2032-2033. Australian administrations also have responded to China's outreach to the Pacific with renewed diplomatic engagement in the region.

Strategic 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 Allies in the First and Second World Wars, and in the conflicts in Korea, Vietnam, Iraq, and Afghanistan. Australia is also a close U.S. intelligence partner through the "Five Eyes" group of nations, which also includes Canada, New Zealand, and the United Kingdom. U.S. Marines have conducted regular rotational deployments in northern Australia since 2012. The defense relationship includes bilateral and multilateral military exercises such as the Talisman Sabre, RIMPAC, and Malabar exercises. A 2023 poll found 82% of Australians see the U.S.-Australia relationship as "very important" or "fairly important" to Australia's security. In May 2023, President Biden and PM Albanese issued a Joint Statement to bolster cooperation in key sectors such as climate, defense, and cybersecurity.

AUKUS. Some observers describe AUKUS as the most significant security arrangement among the three nations in a generation. The pact allows for Australia to purchase 3-5 U.S. Virginia-class submarines in the 2030s, pending congressional approval. Simultaneously, the three countries are to develop an AUKUS submarine based on the UK's next-generation design that incorporates technology from all three nations, including cutting edge U.S. submarine technologies. A second aspect of AUKUS focuses on developing advanced military capabilities, including AI, cyber, hypersonic, and quantum technologies.

AUSMIN 2022. The Australia-U.S. Ministerial (AUSMIN) consultations remain central to the bilateral relationship. U.S. Secretary of State Antony Blinken and Secretary of Defense Lloyd Austin hosted their Australian counterparts, Foreign Affairs Minister Penny Wong and Defence Minister Richard Marles, in December 2022 for AUSMIN consultations. Their Joint Statement emphasized "shared challenges" and the need to "advance a stable, rules-based international order," language that observers interpreted as referencing shared concerns about economic and military competition with the PRC in the Indo-Pacific. The resulting Joint Statement welcomed enhanced trilateral security partnership through AUKUS, and discussed Indo-Pacific cooperation, Australia's acquisition of nuclear-powered submarines, and technology collaboration.

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. Japan and Australia also hold regular "2+2" meetings of their foreign and defense ministers. Although not as formalized as the U.S.-Japan or U.S.-Australia alliances, the agreement allows for enhanced trilateral cooperation. The three countries signed a joint vision statement in 2022 and the latest meeting of Defense Ministers occurred in June 2023.

The Quad. Australia has bolstered its strategic relations with like-minded democracies through the Quadrilateral Security Dialogue. Initially, the four countries focused on COVID-19 and global health, infrastructure initiatives in the region, the climate challenge, people-to-people exchanges and education, critical and emerging technologies, cybersecurity, and space. The Quad leaders recommitted 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." The Quad held its most recent Summit in Japan, May 2023 and—among other initiatives—outlined the implementation of the Indo-Pacific Partnership for Maritime Domain Awareness (IPMDA), which provides maritime domain data to agencies in Southeast Asia and the Pacific, with plans to expand to the Indian Ocean region.

Climate Change

PM Albanese's election aligns Australia closely with the Biden Administration's climate policy, according to some analysts. In 2023, the two governments signed the Climate, Critical Minerals, and Clean Energy Transformation Compact. Albanese's Labor Party campaigned on a pledge to reduce carbon emissions by 43% below 2005 levels by 2030, with a goal of net zero by 2050. Australia previously had committed to reducing greenhouse gas emissions by 26%-28% below 2005 levels by 2030, and the Morrison government had resisted pressure to set more ambitious targets. (The United States has set a target of 50%-52% reductions over 2005 levels in 2030.) The Green Party's and Teal independents' strong electoral showings allow them a more significant role in the Senate, where seats are proportionally allocated, and provide them with influence over climate-change legislation.

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 2019.

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