

# Australia

## Overview

Australia is important to Congress because it is a key U.S. ally and trade and investment partner at a time of increasing geopolitical uncertainty in the Indo-Pacific. The United States and Australia enjoy close people-to-people, trade and investment, political, cultural, intelligence, defense, and alliance relations. In recent years, as Australia's relations with China have become strained, Australia and the United States have strengthened their partnership to address the geopolitical uncertainty in the region. This includes the announcement of the Australia, United Kingdom, United States (AUKUS) agreement, which is to provide Australia with nuclear propulsion technology for its next generation submarines. Ties between the United States, Australia, Japan, and India have been boosted by the developing Quadrilateral Security Dialogue known as the "Quad." In addition, Australia signed a reciprocal access agreement with Japan—another close U.S. ally—in January 2022 designed to facilitate closer defense cooperation between the two nations.

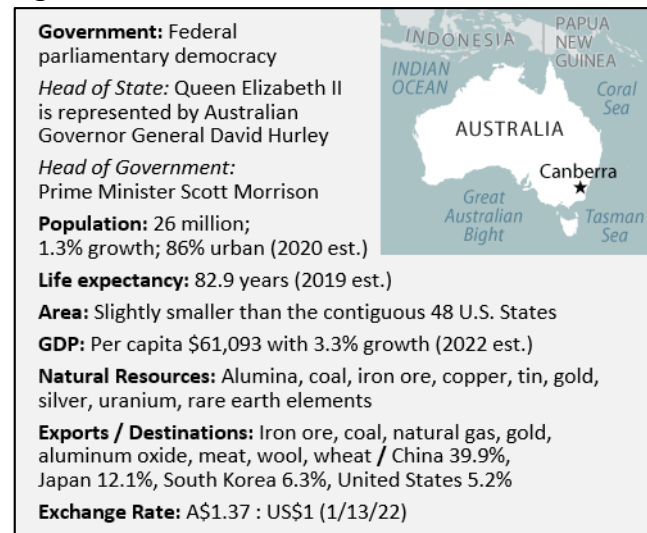
## Background

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, laws, 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. Despite the centrality of the "bush" or the "outback" to the national myth, Australia more recently has evolved into an urbanized society. While geographically situated in the Indo-Pacific region, Australia continues to have deep cultural ties to Britain, the United States, and Europe.

## Political Setting

Australia is an independent nation within the British Commonwealth. The Head of State is the ruling monarch of the United Kingdom, Queen Elizabeth II, who is represented in Australia by the Governor General Sir David Hurley. In practice, power is held by the Prime Minister and Cabinet, who are elected members of Parliament. Parliamentary elections must be held at least once every three years. The government can choose to call early elections. The Liberal-National Party Coalition and the Labor Party are the two main political forces in Australia. Prime Minister Scott Morrison is leader of the Liberal Party and Anthony Albanese is the leader of the opposition Labor Party. Morrison, of the Liberal-National Coalition, became Prime Minister following a Liberal Party leadership ballot in August 2018. He was elected Prime Minister in May 2019 with 77 of 151 seats in the House of Representatives. Elections are now expected by May 2022.

**Figure 1. Australia in Brief**



## Economics and Trade

Australia's economy is projected to rebound after setbacks due to the Coronavirus Disease 2019 (COVID-19) pandemic. Australian exports include raw materials, energy, agriculture, tourism, and education, with Australia among the world's top three exporters of resources and energy. China is Australia's largest two-way trade partner in goods and services and accounts for approximately one-third of Australia's trade with the world. Although the Australia-China Free Trade Agreement came into force in 2015, China has restricted some imports from Australia. Despite this, Australian exports to China increased significantly in 2021. The Australia-United States Free Trade Agreement (AUSFTA) came into force in 2005. In 2020, the U.S. goods trade surplus with Australia totaled \$9 billion and the U.S. services trade surplus with Australia totaled \$9.3 billion. In 2019-2020, the United States was Australia's second largest two-way trade partner in goods and services, and the United States was the largest investor in Australia. The United States is Australia's largest foreign investment destination.

## Strategic Outlook

For years, Australia's geopolitical context has been defined by its trade relationship with China and its strategic relationship with the United States. As tensions mounted with China, Australia doubled down on its alliance with the United States and deepened strategic ties with Japan and other nations. Revelations regarding China's attempts to influence Australia's society and region have had a negative impact on Australian perceptions of China. A 2021 poll found 63% of Australians believe China is "more of a security threat" while 34% felt China was "more of an economic partner." This is a significant reversal from 2018

when 82% felt China was “more of an economic partner” and 12% felt that China was “more of a security threat.”

Australia has undertaken a number of measures to counter China’s growing influence. In 2018, the Australian parliament passed new laws on espionage, foreign interference, and foreign influence, and the government of former Prime Minister Malcolm Turnbull blocked Huawei from participating in the country’s development of its 5G mobile network. Prime Minister Morrison signaled a key change in Australia’s defense posture with the 2020 Defence Strategic Update. Australian defense spending increased 6.1% in 2021 to reach AD\$44.6 billion, which put defense spending at 2.1% of GDP. Recent Australian governments have responded to Chinese influence efforts in the Pacific region with its Pacific Step Up policy and a renewed diplomatic focus on the South Pacific.

### Strategic Ties with the U.S. and Other Partners

Australia has been a U.S. treaty ally since the signing of the Australia-New Zealand-United States (ANZUS) Treaty in 1951. Australia sent troops to support the allied cause in the First and Second World Wars, and in the conflicts in Korea, Vietnam, Iraq, and Afghanistan. Former Prime Minister Howard invoked the ANZUS treaty to come to the assistance of the United States after the terrorist attacks of September 11, 2001. 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 been conducting regular rotational deployments in northern Australia since 2012. The ongoing strength of the defense relationship is also demonstrated through various bilateral and multilateral military exercises such as the Talisman Sabre, RIMPAC, and Malabar exercises. When asked in 2021 “How important is our alliance relationship with the United States for Australia’s security?” 78% of Australians polled responded that it was very important or fairly important.

**AUKUS.** In September 2021, the White House announced a new AUKUS trilateral security partnership. Some observers described the AUKUS security pact as the most significant security arrangement among the three nations in a generation. The pact focuses mostly on developing military capability, and opens the way for Australia to build nuclear-powered submarines. Australia reportedly plans to build approximately eight nuclear-powered submarines. Currently there are six nations that operate nuclear-powered submarines. The United Kingdom, and now Australia, are the only nations with which the United States shares nuclear propulsion technology. The agreement will also reportedly facilitate further trilateral cooperation to enhance joint capabilities and interoperability. The pact is viewed as a significant collaboration on capability development.

**AUSMIN 2021.** 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 Marise Payne and Defense Minister Peter Dutton, in September 2021, for AUSMIN consultations at the Department of State. Their Joint Statement emphasized “shared values” and the need to

“strengthen the rule-based international order,” language that many observers interpreted as a reference to shared concerns about China’s growing influence and aggression in the region. The Joint Statement welcomed enhanced trilateral security partnership through AUKUS and discussed AUKUS and Australia’s acquisition of nuclear-powered submarines, enhanced force posture cooperation, and alliance integration among other issues.

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

Australia has done much in recent years to develop its strategic relationship with Japan. Australia and Japan signed a Joint Declaration on Security Cooperation (JDSC) in 2007 and a Japan-Australia Economic Partnership Agreement in 2015. The JDSC established a regular 2+2 meeting of foreign and defense ministers. Australia and Japan also signed a Reciprocal Access Agreement in January 2022 that is intended to “facilitate implementation of cooperative activities between the defence forces of the two countries and further promote bilateral security and defense cooperation [and] have the way for an enhanced contribution by Japan and Australia to the peace and stability of the Indo-Pacific region.”

**The Quad.** Australia has also been developing its strategic relations with like-minded democracies through the Quadrilateral Security Dialogue. The first-ever in-person Leader’s Summit of the Quad was held in Washington, DC, in September 2021. President Biden, Prime Minister Morrison, Prime Minister Narendra Modi of India, and Prime Minister Yoshihide Suga of Japan focused on COVID-19 and global health, infrastructure initiatives in the region, the climate crisis, people-to-people exchanges and education, critical and emerging technologies, cybersecurity, and space. The 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.”

### Climate Change

One area of apparent policy difference between the United States and Australia is in the approach to climate change. Australia has committed to reducing greenhouse gas emissions by 26%-28% below 2005 levels by 2030. The United States has set a target of 50%-52% reductions over 2005 levels in 2030. The Morrison government reportedly resisted pressure to set more ambitious targets in the lead-up to the United Nations Climate Change Conference (COP26) in Glasgow, Scotland, in October and November 2021. In October 2021, Australia pledged to reach net zero by 2050. Critics are disappointed the Morrison government did not cut Australia’s 2030 emissions target. Projections indicate Australia will likely experience increasing temperatures, increasing frequency of floods, coral bleaching, ocean acidification, droughts, and bushfires as a consequence of climate change. Australia has one of the world’s highest levels of greenhouse gas emissions on a per capita basis and is also the world’s third-largest exporter of fossil fuels.

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