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Australia's Strategic Posture: Issues for Congress

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SUMMARY

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Australia's Strategic Posture: Issues for Congress

Australia is responding to increased uncertainty in its strategic environment by developing a new strategic posture that will likely allow it greater flexibility to act independently. In new strategic documents, Australia has outlined plans to increase its defense spending, acquire key combat systems, and further develop strategic and defense ties and bilateral relations with Japan, India, Southwest Pacific states and others in the region while also seeking to maintain and strengthen its alliance relationship with the United States. Some have described these changes as the most significant changes to Australia's strategic posture in a generation. This report is to inform Members seeking a better understanding of the strategic implications for the United States of the evolving strategic posture of one of the United States' key allies in the Indo-Pacific. Australia's evolving strategic posture has significant implications for congressional decisionmaking on U.S. defense procurement expenditures and for oversight of U.S. strategy and defense posture in the Indo-Pacific region, as well as congressional efforts to protect and strengthen U.S. alliances more generally. The report focuses on diplomatic, strategic, and defense ties and does not focus in depth on trade or people-to-people ties.

The United States' changed posture towards alliances and the Indo-Pacific region under the Trump Administration and rising tensions in Australia's bilateral relations with China appear to be key drivers behind Australia's efforts to develop and enhance its strategic posture. While Australia seeks to deepen its alliance with the United States, its steps towards developing its own defense capabilities and its efforts to develop strategic relationships with others imply increasing uncertainty about overreliance on its American ally. While tensions between Australia and China have been rising since 2015, they have become particularly acute following Australia's May 2020 call for an inquiry into the origins of the Coronavirus pandemic. Key points of tension in the bilateral relationship between Australia and China include China's restrictions on some imports from Australia, Australia's opposition to Chinese efforts to exert control over the South China Sea, Chinese cyber-attacks against Australia, China's apparent attempt to influence Australian politicians, China's efforts to develop a Belt and Road Initiative (BRI) agreement with the State of Victoria despite the Australian Federal government's decision not to sign on to the BRI, perceived Chinese efforts to restrict academic freedom at Australian universities, Australia's support for a political solution that upholds Hong Kong's freedoms, and the investigation and detention of members of the Australian media in China.

Details of Australia's planned changes to its strategic posture and defense policy are articulated most recently in Australia's *2020 Defence Strategic Update*, the *2020 Force Structure Plan* and in recent speeches by Prime Minister Scott Morrison. Morrison has compared the economic and strategic uncertainty of the present with the "existential threat" that Australia faced when the global and regional order collapsed in the 1930s and 1940s. *The 2020 Defence Strategic Update* cautions that Australia "must be better prepared for the prospect of high-intensity conflict." After a period of lengthy deployments in Iraq and Afghanistan Australia has refocused its strategic priorities closer to its borders in the northeast Indian Ocean, Southeast Asia and the Southwest Pacific. Details of recent developments in Australia – U.S. bilateral relations, which also inform Australia's shifting strategic focus, are articulated in the Australia-U.S. Ministerial (AUSMIN) Joint Statement of 2020.

Uncertainty about the U.S. commitment to remaining a security guarantor in the Indo-Pacific and tensions with China also are driving a perception that the risk of conflict in Australia's back yard is rising, and developing Australia's strategic and defense ties with regional partners appears to be an increasingly important aspect of Australia's overall posture. Australia and Japan signed a Joint Declaration on Security Cooperation in 2007, a Comprehensive Partnership in 2008, a Special Strategic Partnership in 2014, and in July 2020, Prime Minister Morrison and then-Prime Minister Shinzo Abe held a virtual summit and added an agreement on space cooperation to their Special Strategic Partnership. In June 2020, Prime Minister Morrison and Prime Minister Narendra Modi of India signed a Mutual Logistics Sharing Agreement and announced the elevation of their bilateral ties to a Comprehensive Strategic Partnership (CSP). Australia is reportedly seeking an invitation to join India's Malabar naval exercise, which includes naval forces from the United States and Japan. Australia is also intent on protecting its longstanding role as a key security partner in the Pacific, and Prime Minister Morrison's Pacific Step Up policy also identifies the South Pacific as one of Australia's highest foreign policy priorities. The strengthening of Australia's strategic posture has the potential to bolster U.S. strategic objective in the Indo-Pacific by alleviating burden sharing concerns, enhancing security in the South Pacific, and developing interoperability and military exercises, while also strengthen ties among the like-minded Quad nations. Australia's renewed focus on its more immediate strategic neighborhood, however, does have the potential to limit its participation in future coalition operations in more distant theatres of operation.

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Introduction

The U.S.-Australian defense and intelligence relationship is one of the United States' closest security partnerships. Its foundation is the Australia-New Zealand-United States (ANZUS) alliance of 1951. Australia has fought side by side with the United States in most of its key conflicts including World War I, World War II, Korea, Vietnam, and more recently in Iraq and Afghanistan. The two nations are members of the Five Eyes intelligence group and have a Free Trade Agreement and many people-to-people ties.

In the view of some analysts, "Australia is embarking on the most significant reorientation of its strategic policy settings in more than a generation,"[1] while others have described Australia's new defense paradigm as marking a "pivotal moment in modern Australia's military history."[2] For many years, Australia's strategic outlook was based on a view that it enjoyed a relatively benign security environment and that it did not have to choose between its history and its geography;[3] as a result it could pursue both a close strategic relationship with the United States and a close trade relationship with China. Australia's strategic outlook now views Australia's strategic environment as more unstable and uncertain and prone to interstate conflict than it did a few years ago. The Australian Department of Defence's *2020 Defence Update*, released in July 2020, states, "The security environment is markedly different from the relatively more benign one of even four years ago, with greater potential for military miscalculation."[4] This report explores the drivers of Australia's changing strategic posture before discussing the specific policy adjustments Australia is undertaking. The report also examines the geopolitical context of Australia's strategic and defense relationships in the Indo-Pacific.

Congressional Focus

Given that Congress is considering, or has recently considered, a number of pieces of legislation related to Australia and America's alliances in the Indo-Pacific (see map below), this report seeks to provide background information and context for congressional decisionmakers considering such legislation and conducting oversight of related issues.

In 2017, before his death the following year, Senator John McCain expressed his "unwavering support" for the alliance with Australia and stated that:

> Australia is one of America's oldest friends and staunchest allies.... We are united by ties of family and friendship, mutual interest and common values, and shared sacrifice in wartime.… [Americans] value our historic alliance, honor the sacrifice of the Australians who have served and are serving by our side, and remain committed to the safer, freer, and better world that Australia does far more than its fair share to protect and promote.[5]

In May 2020, Senators Jim Inhofe and Jack Reed published an article, "The Pacific Deterrence Initiative: Peace Through Strength in the Indo-Pacific," in which they put forward their intention

[1] Ashley Townshend and Brendan Thomas-Noone, "Australia Steps up in Defence of the Indo-Pacific Order," *The Diplomat*, September 1, 2020.

[2] Geoffrey Barker, "Australia's New Defence Paradigm," *The Strategist*, Australian Strategic Policy Institute, July 7, 2020.

[3] Rupert Darwall, "John Howard's Australia," Policy Review, Hoover Institute, August 2005.

[4] The Department of Defence, Government of Australia, "2020 Defence Update."

[5] Corky Siemaszko, "Sen. McCain Makes Nice with Australia After Trump's 'Blunt' Talk with PM," *NBC News*, February 2, 2017.

to establish a Pacific Deterrence Initiative (PDI) as part of the National Defense Authorization Act for Fiscal Year 2021:[6]

> The Pacific Deterrence Initiative will enhance budgetary transparency and oversight, and focus resources on key military capabilities to deter China. The initiative will also reassure U.S. allies and partners, and send a strong signal to the Chinese Communist Party that the American people are committed to defending U.S. interests in the Indo-Pacific.[7]

In the article, the two Senators also stated that "in the Indo-Pacific, that foundation of deterrence is crumbling as an increasingly aggressive China continues its comprehensive military modernization." They also called for "a credible balance of military power" and asserted that the United States' "allies and partners in the Indo-Pacific are watching closely, and wondering whether they will be able to count on America." Among other priorities, the PDI seeks to reassure allies and partners of America's commitment to the Indo-Pacific and help allies and partners build the capabilities they need to protect their sovereignty. Senators Inhofe and Reed stated that this is not a partisan issue and described the Pacific Deterrence Initiative as a complementary effort to the previous Asia Reassurance Initiative Act (ARIA) of December, 2018.[8]

An article published by Senators Cory Gardner and Jim Inhofe in July 2020 described how the PDI would complement ARIA and stated

> U.S. allies like Australia are already making the tough choices while braving Beijing's bluster and bullying.… [B]y remaining open to trade while refusing to trade away fundamental values, Australia has set a proud example.… Australia should not be alone in this effort. The United States stands with our allies.[9]

Significant other bills beyond S. 4049 and H.R. 6395 the National Defense Authorization Act for Fiscal Year 2021, provide context for this report, including:

- S. 4272, STRATEGIC Act;
- H.R. 7797, BLUE Pacific Act: Boosting Long Term U.S. Engagement in the Pacific;
- S. 4300, A Bill to Amend the ARIA of 2018 to Require the Secretary of Defense to Carry Out the PDI;
- H.R. 6613, Indo-Pacific Deterrence Initiative,
- S. 2547, Indo-Pacific Cooperation Act;
- H.Res. 1020 and S.Res. 609, Recognizing That for 45 Years Papua New Guinea and the United States Have Shared a Close Friendship;
- S. 3905, Intelligence Authorization Act for Fiscal Year 2021;
- H.R. 2047 and S. 985, Allied Burden Sharing Report Act; and
- H.R. 1811 and S. 985, Countering the Chinese Government and Communist Party's Political Influence Operations Act.

[6] The Pacific Deterrence Initiative follows the European Deterrence Initiative which was created in 2014 in response to rising threats from Russia. "The Pacific Deterrence Initiative—Peace Through Strength in the Indo-Pacific," United States Senate, Committee on Armed Services, May 28, 2020.

[7] Sen. Jim Inhofe and Sen. Jack Reed, "The Pacific Deterrence Initiative: Peace Through Strength in the Indo-Pacific," *War on the Rocks*, May 28, 2020.

[8] Sen. Jim Inhofe and Sen. Jack Reed, "The Pacific Deterrence Initiative: Peace Through Strength in the Indo-Pacific," *War on the Rocks*, May 28, 2020.

[9] Sen. Cory Gardner and Sen. Jim Inhofe, "Renewing America's Commitment to the Indo-Pacific," *The Diplomat*, July 2, 2020.

Regional Tensions and Uncertainty Driving Australia's Strategic Posture

Australian policymakers increasingly view the rise of China and strategic competition between the United States and China as a principal driver of strategic dynamics in the Indo-Pacific. While tensions between Australia and China, its key trade partner, have been mounting in recent years, difficulties between them have increased significantly since Australia called for an inquiry into the origins of the Coronavirus Disease 2019 (COVID-19) pandemic. Liberal Party Prime Minister Scott Morrison now views open conflict in the region as no longer inconceivable. Morrison stated on July 1, 2020, that

> we have not seen the conflation of global economic and strategic uncertainty now being experienced here in Australia in our region since the existential threat we faced when the global and regional order collapsed in the 1930s and1940s.[10]

Prime Minister Morrison has explained Australia's changing strategic outlook through a number of recent speeches. In a speech to the Aspen Security Forum in August 2020 Prime Minister Morrison stated that "the configuration of power in global politics has changed … the liberal rules and norms of what has been known as the American Century are under assault." He then went on to describe an international society in the Indo-Pacific that is "under strain:"

> Today, the Indo-Pacific is the epicentre of strategic competition. Tensions over territorial claims are growing. The pace of military modernisation is unprecedented. Democratic nations face new threats from foreign interference. Cyber-attacks are increasing in frequency and sophistication. Disinformation is being used to manipulate free societies. The trade rules that have allowed us to prosper have not evolved to meet new challenges. And economic coercion is increasingly employed as a tool of statecraft.[11]

Australia's view of its region as an increasingly contested space, when set in the context of Australia's strained relations with China and its increasing uncertainty with the United States' level of commitment to Australia and the region, is shaping Australia's new strategic posture. According to Morrison "a critical priority is to build a durable strategic balance in the Indo-Pacific. For more like-minded nations to act more cohesively, more consistently, more often. To align."[12] Morrison's view of a strategic environment that is increasingly unstable and dangerous is shared by former Labor Party Prime Minister Kevin Rudd who wrote in August 2020 that "The once unthinkable outcome—actual armed conflict between the United States and China—now appears possible for the first time since the end of the Korean War."[13]

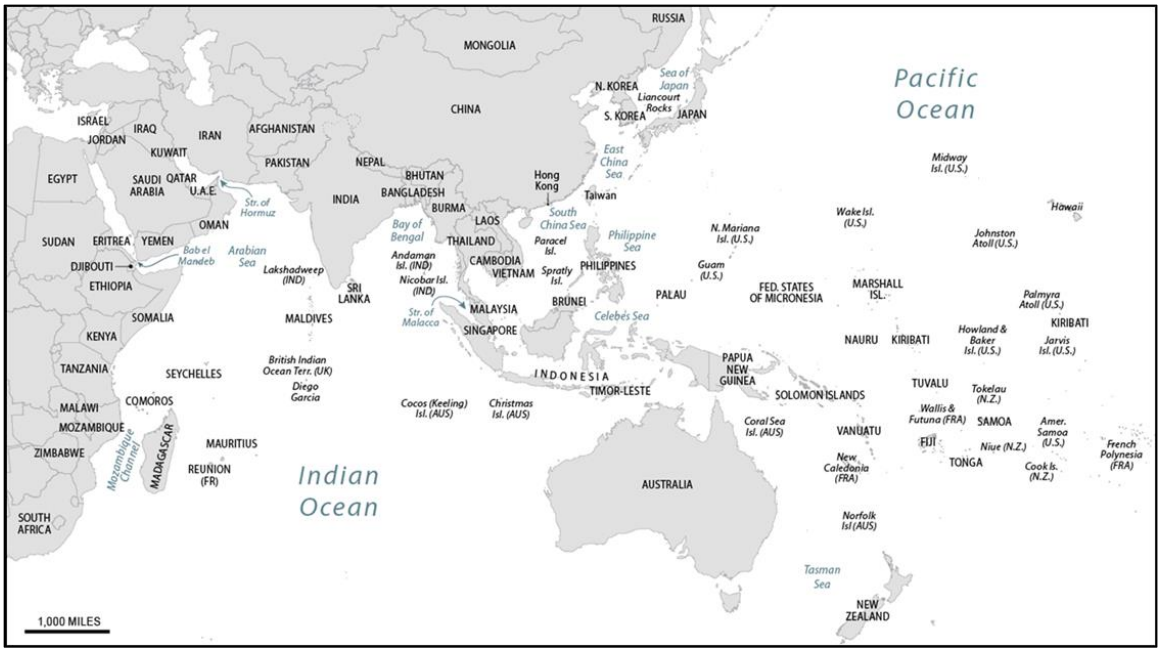
[10] Peter Hartcher, "Scott Morrison is Not Going to Duck This Crisis," *The Sydney Morning Herald,* July 4, 2020.

[11] Prime Minister Scott Morrison, "Address, Aspen Security Forum 'Tomorrow in the Indo-Pacific," August 5, 2020.

[12] Prime Minister Scott Morrison, "Address, Aspen Security Forum 'Tomorrow in the Indo-Pacific," August 5, 2020.

[13] Andrew Tillett, "US-China Tensions Could Lead to War," *Australian Financial Review,* August 4, 2020.

Figure 1. The Indo-Pacific



Source: Map prepared by Hannah Fischer and Amber Wilhelm with CRS.

Notes: There are different definitions of the geographic scope of the Indo-Pacific region.

Tensions in Australia-China Relations

For many years, Australia has sought to balance its trade relationship with China with its strategic relationship with the United States. This appears to be increasingly difficult for Australia as its relations with China continue to deteriorate, particularly in the wake of Australia's calls for an inquiry into the origins of the COVID-19 pandemic and increasing China-U.S. tensions. Many observers point to 2014 as the high point in Australia-China relations, when President Xi Jinping addressed a joint sitting of parliament in Canberra the same day a Free Trade Agreement between the two countries was announced.[14] Since then, tensions have been steadily growing.[15] Areas of friction between the two nations include differences over China's territorial claims in the South China Sea, as well as accusations in 2019 by China that Australia was expanding restrictions on Huawei and ZTE.[16] Other issues include

- concern in 2018 that China was seeking port access in Vanuatu, which many in Australia considered provocative;[17]

[14] Emma Griffiths, "Xi Jinping in Australia," *ABC News* Australia, November 17, 2014.

[15] Cait Kelly, "Panda Pals to Barely Speaking: How Australia's Relationship with China Fell Apart," *The New Daily*, August 28, 2020.

[16] Fergus Hunter and Jennifer Duke, "'Unreasonable': China Claims Australia Has Expanded 5G Restrictions," *Sydney Morning Herald*, December 17, 2019.

[17] "Chinese Military Base in Pacific Would Be of 'Great Concern,' Turnbull Tells Vanuatu," *ABC News* Australia, April 9, 2018.

- the apparent attempt by China to gain influence over Australian politicians such as former MP Sam Dastyari in 2017;[18]
- new Australian legislation in 2017 to curb foreign interference in the country; and
- Australia's decision to block the sale to China of critical infrastructure, such as the AD$10 billion[19] sale of New South Wales power grid AUSGRID in 2016.[20] (See the **Appendix** for a detailed discussion of areas of friction in Australia-China relations.)

A view now exists among some observers that China is offering "the same bargain with Australia that it has with the Chinese people: a promise of prosperity in exchange for obedience and censorship."[21] While Australian intelligence and defense circles are reportedly concerned with China's influence in Australia and its region, Australian business interests remain more focused on the importance of trade with China to Australia's economy. According to one observer, "In no country is there such a profound rift between the business community and security."[22] China has placed restrictions on some aspects of trade with Australia and is reportedly the source of cyberattacks against Australia.[23] There are also tensions related to China's Belt and Road Initiative,[24] and according to polling data the Australian public is increasingly concerned with China. Issues such as academic freedom at Australian Universities, attempts to influence Australian domestic politics, Hong Kong, and the questioning and detention of Australian journalists have also been areas of tension in the bilateral relationship. China is the fifth largest source of foreign direct investment (FDI). Australia, with a total population of approximately 25 million, is home to approximately 1.2 million people of Chinese ancestry, many of whom migrated to Australia over the past decade.[25] There were over 250,000 Chinese students[26] and 1.4 million Chinese tourists in Australia in 2018.[27]

Uncertainty with the United States' Commitment to the Region and Alliances

The American defeat of the Japanese in the Battle of the Coral Sea in WWII, and many other shared battles, have done much to shape generations of Australians' views of the strategic importance of the United States to Australia. While Australia continues to look to the United

[18] Datyari was involved in a China donations scandal that led to his resignation from the Senate. "Sam Dastyari: Australian Senator to Quit After China Scrutiny," *BBC News,* December 12, 2017.

[19] On September 11, 2020, one Australian dollar equaled 73 cents U.S.

[20] Peter Hartcher, "Revealed: Why the Sale of Ausgrid to Chinese Buyers Was Vetoed," *Sydney Morning Herald,* May 28, 2018.

[21] Mark Harrison, University of Tasmania, as quoted in Damien Cave, "Australia's China Challenge," *New York Times,* May 20, 2019.

[22] Linda Jakobson, China Matters, as quoted in Damien Cave, "Australia's China Challenge," *New York Times,* May 20, 2019.

[23] Ariel Bogel, "Why China Is Being Blamed for Cyber Attacks Against Australia," *ABC News* Australia, June 19, 2020.

[24] "The Belt and Road Initiative, reminiscent of the Silk Road, is a massive infrastructure project that would stretch from East Asia to Europe. Some analysts see the project as a disturbing expansion of Chinese power." Andrew Chatzky and James McBride, "China's Massive Belt and Road Initiative," The Council on Foreign Relations, January 28, 2020.

[25] Frances Mao, "How Reliant Is Australia on China?" *BBC News,* June 17, 2020.

[26] "Double-Digit Growth for Australia's Foreign Enrollment in 2018," ICEF, March 20, 2019. https://monitor.icef.com

[27] "1.42 Mln Chinese Visitors Arrive in Australia in 12 Months to September 2018," *Xinhua,* September 1, 2019.

States as a key security partner, many Australians feel the alliance has been weakened under President Trump's Administration.

The strategic consequences of President Trump's decision to withdraw from the Trans-Pacific Partnership, which the United States had championed under former President Barack Obama, significantly affected Australian and regional perceptions of the United States' commitment to the Asia-Pacific region. Perceptions that the United States was becoming less engaged with other security forums also played a role in shaping regional states' views of the United States' commitment to the region.[28] Supporters in the United States and Asia promoted TPP on the basis that it would link the United States with 11 other Asia-Pacific countries and help liberalize trade, market reform and America's competitive industries. Supporters also argued that it would support the United States' strategic interests by strengthening the United States' leadership in Asia, by strengthening both the liberal international order and key regional partners. The TPP was a key component of the Obama Administration's Rebalance to Asia strategy, and the U.S. withdrawal from the TPP is said to have "exacerbated regional doubts about U.S. international leadership and its role in Asia."[29] President Trump's decision to withdraw from the TPP also "led various Australian commentators to question Washington's commitment to maintain a viable economic and strategic presence in the Asia-Pacific."[30] According to another analyst, "Removing the U.S. from the TPP increases uncertainty among U.S. allies about the reliability of the U.S. across a range of foreign and economic matters."[31] Some policymakers in the United States took a similar view. Former Senator John McCain described the decision to withdraw from the TPP as "a serious mistake that will have lasting consequences for America's economy and our strategic position in the Asia-Pacific region."[32]

President Trump's early statements and actions towards Australia in particular and alliances in general caused concern among some strategic observers in Australia. According to one analyst, "staunch allies such as Japan and Australia find the president's unpredictable style deeply unsettling."[33] In July 2016, candidate Trump stated, "If we cannot be properly reimbursed for the tremendous cost of our military protecting other countries … then yes, I would be absolutely prepared to tell those countries, 'congratulations, you will be defending yourself.'"[34] This position, which is a reversal of past U.S. policy, is a cause for concern for many in Australia.[35]

President Trump's actions were viewed by some in the press as "injecting new uncertainty in the U.S.-Australia relationship" and reflecting the "transactional view he takes of relationships, even when it comes to diplomatic ties with long-standing allies."[36] President Trump described his first call with former Prime Minister Malcolm Turnbull as "the worst call by far," according to media

[28] Mathew Davies, "Repairing the US-ASEAN Relationship," *East Asia Forum*, March 14, 2020.

[29] Timothy Heath, "Strategic Consequences of U.S. Withdrawal from TPP," RAND, March 27, 2017.

[30] William Tow, "President Trump and the Implications for the Australia-US Alliance and Australia's Role in Southeast Asia," *Contemporary Southeast Asia, 39 (1),* 2017.

[31] Mireya Solis, "Trump Withdrawing from the Trans Pacific Partnership," Brookings, March 24, 2017.

[32] Jordain Carney, "McCain: Trump Withdrawal From TPP a Serious Mistake," *The Hill,* January 23, 2017.

[33] John Lee, "Down Under Doubles Down on Checking China," Hudson Institute, July 27, 2020.

[34] Damian Paletta, "Clinton vs. Trump: Where They Stand on Foreign Policy Issues," *Wall Street Journal*, reference to a July 20, 2016, Trump interview with the *New York Times,* http://grapics.wsj.com/elections/2016/donald-trump-hillary-clinton.

[35] Ben Westcott, "Does Australia Want Turnbull to Save the Relationship with Donald Trump?" *CNN,* May 3, 2017.

[36] Greg Miller, Philip Rucker, "No G'Day Mate: On Call with Australian Prime Minister," *Washington Post,* February 3, 2017.

reports.[37] Ties were strained at that time by objections within the Trump Administration to a refugee-settlement agreement concluded under the Obama Administration and President Trump's statements that U.S. allies needed to pay more for U.S. support.[38]

After their rough start, relations between the Trump White House and the Australian government began to improve. The April 2017 visit to Australia by Vice President Mike Pence, and what was generally viewed as a positive meeting between Trump and Turnbull aboard the retired aircraft carrier USS *Intrepid* for the 75th anniversary of the Battle of the Coral Sea on May 4, 2017, helped to put the relationship back on track after its rocky start.[39] President Trump subsequently hosted Prime Minister Morrison for a State Dinner in September 2019.[40]

While bilateral relations with Australia have generally improved, uncertainty and general concerns over President Trump's policies towards the United States' allies continue. One article published in *Foreign Policy* states,

> From the beginning, he [Trump] has questioned the value of NATO, cozied up to dictators, and berated long-standing U.S. allies such as Australia, Canada, and Germany. He rejects the United States' postwar internationalist strategy of forward defense and deterrence through prepositioned forces. And his hostility is not just rhetorical: In June, Trump blindsided the German government by approving a plan to cut 9,500 troops stationed in Germany.[41]

By calling into question whether the United States would honor its allied commitment to NATO and discussing the withdrawal of the United States from the alliance, Trump has undermined the United States' credibility in the eyes of many alliance partners.[42] Former National Security Advisor John Bolton has stated that it is "highly questionable" whether President Trump would keep the United States in NATO. According to Bolton,

> my first reaction [to Trump's German troop drawdown] was this is the beginning of the end.… I think the alliances with Japan, South Korea, Australia are question marks at this point.[43]

President Trump's periodic references to reducing the number of U.S. military personnel stationed in South Korea, and stalled negotiations over U.S.-ROK cost-sharing arrangements, have prompted concerns about the U.S. commitment to the U.S.-South Korean alliance.[44] These concerns grew in June 2020 after reports emerged that the Pentagon had provided President Trump plans to draw down troops in South Korea "amid a deadlock over the U.S.'s demand for

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[37] Greg Miller, "'This Was the Worst Call by Far': Trump Badgered, Bragged, and Abruptly Ended Phone Call with Australian Leader," *Washington Post*, February 2, 2017.

[38] Jane Wardell and Roberta Rampton, "Tense Call Between Trump and Australian Leader Strains Longtime Ties," Reuters, February 1, 2017.

[39] "Trump, Australia's Turnbull Hold First Meeting in Move to Clear Air After Tense Phone Call," *Reuters*, May 4, 2017.

[40] Michael Collins, "After a Rocky Start with the Aussies, Donald Trump Hosts State Dinner for PM Scott Morrison," *USA Today*, September 20, 2019.

[41] Sam Winter-Levy and Nikita Lalwani, "Will America's Alliances Survive the Trump Era?" *Foreign Policy*, July 14, 2020.

[42] Max Bergman and James Lamond, "Why Trump's Troop Withdrawal From Germany is Only the Beginning," *Foreign Policy*, August 8, 2020.

[43] Z. Budryk, "Bolton Worried About Biological Weapons, NATO Withdrawal If Trump Is Reelected," *The Hill*, June 23, 2020.

[44] Barbara Starr and Kylie Atwood, "Concern Growing US and South Korea Could Fail to Reach an Agreement on Troop Cost-Sharing," CNN, February 20, 2020.

more funding" to cover the cost of U.S. troops stationed in South Korea.[45] Such statements and actions by the Trump Administration may have had an effect on Australian national security decisionmakers' calculations of the extent to which it is prudent to rely on their alliance with the United States.

While strong support has existed for the ANZUS alliance among both Australian elites and the general public for many years, there are now signs that its popularity with younger Australians is weakening. When asked "How important is our alliance relationship with the United States for Australia's security?" in Lowy Institute[46] Polls, 87% in 2012 stated that it was either "very important" or "fairly important." That number dropped to 78% of Australians polled in 2020.[47] According to the poll, 25% of Australians aged 18 to 29 view the alliance as "very important" to Australia's security, compared with 43% across all age brackets. Further, 16% of 18 to 29 year olds have "some confidence" in President Donald Trump while 28% have "some confidence" in China's Xi Jinping.[48]

Australia's New Strategic Direction

Australia is responding to a perceived deteriorating security situation and growing Chinese influence within Australia and its region by not only looking to its own defense but by also "looking to help alter the balance of power in the Indo-Pacific."[49] In particular, Australians are responding to concerns about increasing pressure on a rules based order, the relative decline of the United States' geopolitical position and its ability to maintain a balance of power in the Indo-Pacific region, and "an acceleration in China's use of coercive statecraft backed by its proliferation of sophisticated anti-access/area denial systems [which] threaten to bring about a Chinese sphere of influence."[50]

While Australia continues to value its alliance with the United States and look to it as a primary security partner, it is developing a more independent strategic posture by increasing its defense budget (see **Figure 2**) and military capabilities and by developing strategic ties with like-minded states such as Japan and India and reengaging with the South Pacific.[51] The 2020 Defence Update states "it is the government's intent that Australia take greater responsibility for our own security. It is therefore essential that the ADF (Australian Defence Force) grow its self-reliant ability to deliver deterrent effects." Prime Minister Morrison, who favors a rules-based order, has highlighted that building an Indo-Pacific alliance with like-minded states is a priority at a time when the pace of militarization in the region is accelerating.[52]

[45] Jeong-Ho Lee, "South Korea Troop Cut Speculation Grows After U.S. Comment," *Bloomberg News,* July 22, 2020.

[46] "The Lowy Institute is an independent, nonpartisan international policy think tank located in Sydney Australia." https://www.lowyinstitute.org

[47] "Importance of the US Alliance," Lowy Institute Poll 2020, https://poll.lowyinstitute.org.

[48] Kate Clayton and James Blackwell, "Young Australians Turn from the US Towards Asia," Lowy Institute, 2020.

[49] John Lee, "Down Under Doubles Down on Checking China," Hudson Institute, July 27, 2020.

[50] Ashley Townshend and Brendan Thomas-Noone, "Australia Steps up in Defence of the Indo-Pacific Order," *The Diplomat,* September 1, 2020.

[51] Van Jackson, "The Risks of Australia's Solo Deterrence Wager," War on the Rocks, July 20, 2020.

[52] "Australian PM Says Building Indo-Pacific Alliance Will Be 'Critical Priority,'" *Reuters,* August 4, 2020.

The 2020 Defence Strategic Update

The Morrison government released its Defence Strategic Update on July 1, 2020. The government plans to provide the Australian Department of Defense with total funding of approximately AD$575 billion over the next ten years,[53] with the defense budget expected to grow from AD$42 billion in 2020 to AD$74 billion within a decade.[54] Australia had the 13th largest defense expenditure in the world in 2019.[55] According to one analyst, the *2020 Defence Strategic Update* and the *2020 Force Structure Plan* promises to:

> pivot Australia's strategic posture from a largely defensive force primed for coalition operations to a conventional deterrence role, with an elevated focus on lethality and Australian-led military operations within the country's immediate environment.[56]

In launching the Strategic Update, Prime Minister Morrison stated, "we have moved into a new and less benign strategic arena." He also highlighted that his government had directed the Department of Defence to prioritize the Australian Defence Forces' "geographical focus on our immediate region, the area ranging from north-east Indian Ocean through maritime and mainland Southeast Asia to Papua New Guinea and the south-west Pacific." As a consequence, the Strategic Update may have implications for Australian participation in coalitions with the United States in more distance theatres such as the Middle East. While Australia remains prepared to make such contributions outside its area of strategic priority, "we cannot allow such considerations of contingencies to drive our force structure."[57]

The 2020 Strategic Update marks key changes to Australia's strategic posture and defines new strategic objectives to "shape Australia's strategic environment; to deter actions against Australia's interests; and to respond with credible military force, when required."[58] These strategic objectives are leading Australia to grow its defense capabilities, refocus the U.S.-Australia alliance on the Indo-Pacific, and strengthen Australia's key regional security partnerships. Morrison also noted that these objectives require force structure and capability adjustments which would require "developing capabilities in areas such as longer range strike weapons, cyber-capabilities, [and] area denial systems."[59] Observers have interpreted actions outlined in the Strategic Update as signaling that Australia is serious about deterrence and armed conflict in the Indo-Pacific region. [60] While Australia continues to try not to antagonize China, some observers believe that "only China's coercive turn can account for the dramatic upgrade of our [Australia's] martial mindset, posture and capabilities."[61]

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[53] Australian Goverment, Department of Defence, "Defence Strategic Update Fact Sheet," http://www.defence.gov.au/strategicupdate-2020/.

[54] Euan Graham, "Australia's Serious Strategic Update," IISS Analysis, July 3, 2020.

[55] Lucie Beraud-Sudrea, "Global Defence Spending," IISS Military Balance Blog, February 14, 2020.

[56] Euan Graham, "Australia's Serious Strategic Update," IISS Analysis, July 3, 2020.

[57] Prime Minister Scott Morrison, "Launch of the 2020 Defence Strategic Update," July 1, 2020.

[58] Australian Government, Department of Defence, "Shape, Deter, Respond," https://wwwdefence.gov.au/strategic Update-2020/

[59] Prime Minister Scott Morrison, "Launch of the 2020 Defence Strategic Update," July 1, 2020.

[60] Rod McGuirk, "Australia Plans $190 Billion Defense Boost over Decade," Associated Press, June 30, 2020.

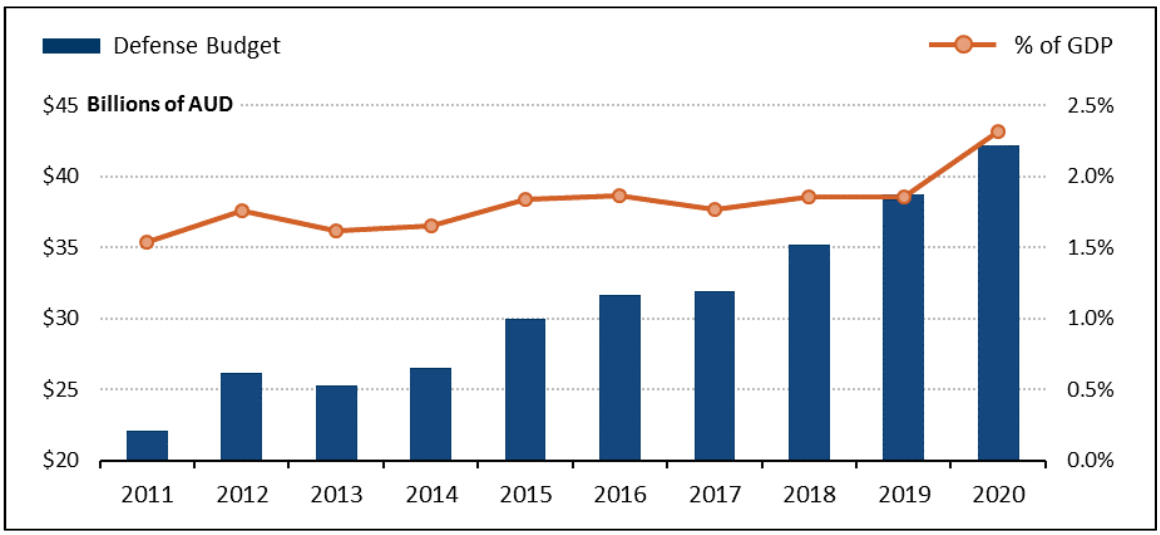
[61] John Lee, "Everyone Knows We're Arming Up Because of China," Hudson Institute, https://www.hudson.org.

Growing Australia's Defense Capabilities

The Morrison government committed in the 2020 Defence Strategic Update to invest significantly in new and upgraded defense capabilities. The Defence Update document states that "the Government will provide Defence, including the Australian Signals Directorate, with total funding over the decade to 2029-30 of (AD) $575 billion, including approximately (AD) $270 billion of investment in Defence capability." The Morrison government committed to provide AD$42.2 billion of funding to the Department of Defence, including the Australian Signals Directorate in 2020-21.[62] This funding is then planned to grow to AD$73.7 billion by 2029-30. The defense budget has also been "decoupled from GDP forecasts to avoid the need for adjusting Defence's plans in response to future fluctuations in GDP."[63]

Figure 2. Australia's Defense Spending

2011-2020



Source: Graph prepared by Kirt Smith with CRS based on IISS Military Balance+, Janes, Trading Economics, and media reports.

Notes: Values provided are in absolute terms and not adjusted for inflation. $1=A$1.38 (9/11/20). The $42 billion AUD in defense spending for 2020 is an estimate and could change depending on reporting data in the future.

Australia is purchasing a number of significant weapons systems as part of its Strategic Update. These include already announced weapons procurement decisions and a modernization and expansion of the navy and other new weapons. Under the Defence Update Australia is to continue to acquire 72 F-35A Joint Strike Fighters (JSF), as well as improved air launched munitions, replacement fleets for the C-130J Hercules transport and KC-30A air-to-air refueling aircraft, MQ-4C Triton remotely piloted aircraft, P-8A upgrades, and eventual replacement of E-7A Wedgetail airborne early warning aircraft. Capability investment is to also include "new investment in missile defence capabilities for deployed forces."[64]

[62] Australian Government, Australian Signals Directorate, "About ASD," https://www.asd.gov.au/about.

[63] Australian Government, Department of Defence, *2020 Defence Strategic Update*, p. 53, https://www.defence.gov.au/StrategicUpdate-2020/docs/2020_Defence_Strategic_Update.

[64] Australian Government, Department of Defence, "Air Factsheet," http://www.defence.gov.au

Australia also plans to replace older ships and submarines and expand its fleet. Australia is to continue with existing plans to acquire 12 new *Attack* Class submarines, upgrade the existing *Collins* Class submarines, and acquire *Hunter* Class frigates, the Joint Strike Fighter, and the Boxer combat reconnaissance vehicle. Australia also plans to continue investment in twelve *Arafura* Class offshore patrol vessels, six new *Cape* Class patrol boats and "up to eight new vessels optimized for mine countermeasures and hydrographic survey."[65]

Australia is also investing in emerging technologies such as "remotely piloted or autonomous systems" capabilities to "counter emerging space threats and ensure space access … high speed missile systems to provide government with more deterrence options; and directed energy weapons."[66] As part of its effort to acquire stronger deterrence capabilities, the government announced that it will buy the AGM-158C Long Range Anti-Ship missile from the United States for AD$800 million.[67] The 2020 Defence Update includes "a development, test and evaluation program for high speed long-range strike and missile defence, including hypersonic weapons, leading to prototypes to inform future investments."[68]

By prioritizing its more immediate neighborhood, Australia seeks to contribute to maritime security in the Southwest Pacific and provide "maritime surveillance patrols in critical sea lanes in the Indian Ocean and the South China Sea."[69] Among other measures, the 2020 Force Structure Plan seeks to support Australian sovereignty and self reliance through

> Increased weapons inventories, expanded domestic munitions capacity, additional fuel storage capacity and increased domestic industry participation [to] provide a more durable supply chain and strengthen sovereign industrial capabilities to enhance the ADF's self reliance.[70]

Deepening the U.S.-Australia Partnership in the Indo-Pacific

Australia views itself as a "staunch and active ally of the United States."[71] Its strategic disposition is also of increasing importance to the United States' strategic posture in the Indo-Pacific at a time of increasing strategic uncertainty in the region. Key aspects of this relationship include the annual AUSMIN talks, intelligence sharing, weapons procurement, bilateral and multilateral military exercises, and joint operational deployments. The AUSMIN talks include the U.S. Secretary of State, the Secretary of Defense, as well as the Australian Minister for Defence and the Australian Minister for Foreign Affairs. The AUSMIN consultations are the principal forum for bilateral consultations between Australia and the United States.[72]

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[65] Australian Government, Department of Defence, "Maritime Factsheet," http://www.defence.gov.au.

[66] Australian Government, Department of Defence, "2020 Force Structure Plan Factsheet," http://www.defence.gov.au.

[67] Michelle Grattan, "Scott Morrison Pivots Australian Defence Force to Meet More Threatening Regional Outlook," *The Conversation*, June 30, 2020.

[68] Daniel Hurst, "Australia to Aquire Long Range Missiles as PM Warns of Dangerous Post-Covid World," *The Guardian*, June 30, 2020.

[69] Australian Government, Department of Defence, "Australia's Defence Force Posture and Engagement Factsheet," http://www.defence.gov.au.

[70] Australian Government, Department of Defence, *2020 Force Structure Plan*, http://www.defence.gov.au.

[71] Australian Government, Department of Defence, *2020 Defence Strategic Update*, https://www.defence.gov.au/StrategicUpdate-2020/docs/2020_Defence_Strategic_Update.

[72] Australian Government, Department of Foreign Affairs and Trade, "AUSMIN- Australia-United States Ministerial Consultations," https://www.dfat.gov.au.

The July 2020 AUSMIN meeting in Washington was significant for shifting the alliance's attention away from the Middle East to focus more firmly on the Indo-Pacific. Australian Defence Minister Linda Reynolds called for deepening defense cooperation with the United States while also declining to commit Australia to Freedom of Navigation Operations (FONOPs) in the SCS. Foreign Minister Marise Payne added that Australia has "no intention of injuring" its relationship with China while also committing to working more closely with international groupings including the Quad and Five Eyes.[73] Some have described Australia's presence at AUSMIN, as well as policies articulated in the Defence Update, as demonstrating "confidence and independence in the alliance."[74]

The AUSMIN 2020 Joint Statement articulated a number of shared concerns, perspectives, and developments. The statement reiterated the alliance's focus on the Pacific and stated that the United States and Australia are "working side by side, including with ASEAN, India, Japan, the Republic of Korea, and Five Eyes partners, to strengthen our networked structure of alliances and partnerships." Through their Joint Statement the two nations also expressed their deep concern over China's actions that are eroding Hong Kong's autonomy and freedoms as well as "the PRC's campaign of repression of Uyghurs" in Xinjiang. It also "affirmed that Beijing's maritime claims are not valid under international law … that the PRC cannot assert maritime claims in the South China Sea based on the nine dash[75] line." Australia reaffirmed its commitment to trilateral dialogues with Japan and the United States and Quad consultations with the U.S., Japan, and India.

The Joint Statement also noted that Australia's Defence Update will enable Australia to "make its strongest contribution to shared security interests in the Indo-Pacific, be better able to project military power and deter destabilizing actions at a longer range." The principals also committed to "increased and regularized maritime cooperation in the region, as well as the Indian Ocean" and the "potential expansion of Marine Rotational Force-Darwin joint training exercises to include additional partners and allies." The Secretaries and Minsters also "affirmed the value of bilateral collaboration on a number of areas of defense technology such as hypersonics, integrated air and missile defense, electronic and undersea warfare, space, cyber, critical minerals, and other technologies."[76] The two nations also agreed to establish a strategic fuel reserve in Darwin. Australian Defence Minister Linda Reynolds and U.S. Ambassador Arthur Culvahouse announced plans to bolster military facilities in the Northern Territory in September 2020. Together the United States and Australia plan to spend approximately AD$8 billion upgrading Northern Territory air and naval facilities over the next decade.[77]

The joint statement also articulated that the two nations "continue to prioritize close and continuing cooperation on supply chain diversification … [and] continued development of a U.S.-Australia Critical Minerals Plan of Action to improve the security of critical minerals in the

[73] The Quad, or Quadrilateral Security Dialogue, facilitates strategic dialogue between the United States, Australia, India and Japan. Katrina Manson and Jamie Smyth, "Australia Treads Careful Line on China in US Meeting," *Financial Times*, July 28, 2020.

[74] Lindsey Ford and Ashley Townshend, "In Annual Meeting, a New Direction for US-Australia Alliance," Brookings, August 4, 2020.

[75] Marina Tsirbas, "What Does the Nine-Dash Line Actually Mean," *The Diplomat*, June 2, 2016.

[76] U.S. Department of State, "Joint Statement on Australia-U.S. Ministerial Consultations (AUSMIN) 2020," July 28, 2020, https://www.state.gov/joint-statement-on-australia-u-s-ministerial-consultations-ausmin-2020/.

[77] Jane Bardon, "Australia and US Promise to Bolster Northern Australia's Strategic Defences," ABC News Australia, September 9, 2020.

United States and Australia." Bilateral cooperation on the diversification of rare earths[78] supply appears to be progressing. China currently produces 70% to 90% of the world's rare earths which are critical for defense applications including systems such as the F-35 aircraft, each of which contains an estimated 417 kilograms of rare earths.[79] The 2020 AUSMIN Joint Statement welcomed an announcement that Lynas[80] signed a contract with the U.S. Department of Defense for a feasibility study for a rare earth separation facility in the U.S. and reaffirmed support for "exploration of new approaches to diversification, and the maintenance of reliable and secure supply chains."[81] Lynas is the largest Australian company involved in the mining and processing of rare earths. It controls the Mt. Weld deposits in Western Australia which account for about 8% of world output of rare earths.[82] The Joint Statement also welcomed the development of a U.S. Australia Critical Minerals Plan of Action.

Australia, which is a party to the United Nations Convention on the Law of the Sea (UNCLOS), moved its policy position in July 2020 to align more closely with the United States' position on China's claims in the SCS by supporting UNCLOS and the 2016 award by the Arbitral Tribunal that heard the case brought by the Philippines against China.[83] While Australia reportedly continues to resist U.S. calls to participate in Freedom of Navigation Operations (FONOPS), Australian naval and air forces regularly transit the SCS and are reportedly looking to increase the number of joint naval exercises in the SCS that it conducts with the U.S. Navy.[84] Australian ships deploying to joint exercises in the Philippines Sea were reportedly confronted by Chinese naval forces in the summer of 2020.[85]

Developing Regional Strategic Partnerships

Given its growing perception that the risk of conflict in the Indo-Pacific region is rising, Australia is prioritizing developing ties with regional Indo-Pacific partners through strategic agreements, joint exercises and new military-to-military arrangements that will both expand Australia's operational flexibility and grow its partners' capabilities to contribute to regional security. This is particularly evident in Australia's pursuit of more multilateral cooperation in the region as well as its focus on further developing strategic and defense ties with Japan and India and with Pacific Island countries through Australia's Pacific Step Up policy. Some observers have criticized the Strategic Update for not taking Indonesia, a close neighbor, a democracy, and a significant security partner, more into account.[86]

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[78] Hobart King, "Rare Earth Elements and Their Uses," https://geology.com/articles/rare-earth-elements/.

[79] Genevieve Feely and Rhys De Wilde, "Its Time to Take an Alliance Based Approach to Securing Rare-Earths Supplies," *The Strategist*, ASPI, August 6, 2020.

[80] According to its website, Lynas Corporation is an integrated source of rare earths from deposits in Western Australia. "Lynas Corporation," https://www.lynascorp.com.

[81] U.S. Department of State, "Joint Statement on Australia-U.S. Ministerial Consultations (AUSMIN) 2020," July 28, 2020, https://www.state.gov/joint-statement-on-australia-u-s-ministerial-consultations-ausmin-2020/.

[82] Frank Holmes, "Australia May Be the Saving Grace for the Rare Earths Market," *Forbes*, November 6, 2019.

[83] Carl Thayer, "Australia Abandons Its Neutrality on the South China Sea Maritime Disputes," *The Diplomat*, July 27, 2020.

[84] Daniel Hurst, "Australia to Step Up South China Sea Defence Cooperation with US—But Won't Commit to Patrols," *The Guardian*, July 29, 2020.

[85] Anthony Galloway and Eryk Bagshaw, "Australia-US Looking to Ramp Up Military Exercises in South China Sea," *Sidney Morning Herald*, July 28, 2020.

[86] Indonesia is Australia's largest neighbor and has at times figured prominently in Australian regional security planning particularly as part of the struggle against Islamist militancy. Evan Laksmana, "Australia's Strategic Appetite

Trilateral Relations with the U.S. and Japan

The United States bilateral alliance relationships with both Australia and Japan are reinforced by trilateral relations among the three nations. This holds true too for Australia. In 2018, the three nations signed a trilateral Memorandum of Understanding to operationalize the Trilateral Partnership for Infrastructure Investment in the Indo-Pacific.[87] In June 2019, the Defense Ministers of the three countries agreed to a Strategic Action Agenda that would strengthen trilateral cooperation, build partner capacity in collaboration with regional partners, increase the complexity and sophistication of trilateral exercises, demonstrate every nation's right to freedom of navigation and overflight in accordance with international law, and improve shared situational awareness through enhanced information sharing.[88] The Australia-Japan-United States Defense Ministers meeting was held in July 2020. The meeting's joint statement "reaffirmed their joint commitment to enhance security, stability, and prosperity in the Indo-Pacific region in keeping with their shared values and long-standing alliances and close partnerships." [89]

Japan

Australia places great value on its strategic relationship with Japan, which has developed significantly in recent years. Australia and Japan signed a Joint Declaration on Security Cooperation in 2007, a Comprehensive Partnership in 2008, and a Special Strategic Partnership in 2014. Australia and Japan have also initiated an annual fighter jet exercise Bushido Guardian. Some observers expect that Japan will also increase its participation in the Australia-United States Talisman Sabre exercise.[90] During his 2018 visit to Australia, then-Prime Minister Abe visited Darwin, which Japan attacked in 1942 during the Second World War. One observer wrote at the time that "by acknowledging the history of military conflict between the two countries, Tokyo will provide a more solid footing for the burgeoning security partnership."[91]

In July 2020, Prime Minister Morrison and then-Prime Minister Abe held a virtual summit and added an agreement on space cooperation to their Special Strategic Partnership. Prime Minister Morrison stated that the meeting "presents a timely opportunity to reaffirm the shared principles, values and global outlook that reinforce one of Australia's closest regional partnerships. As like-minded democracies, we are natural partners with shared interests."[92] Australia and Japan have been negotiating a Reciprocal Access Agreement that would codify rules related to hosting visiting troops. Such an agreement is viewed as facilitating the bilateral movement of troops between Australia and Japan to enable more frequent and larger scale joint exercises.[93] It was also reported in August 2020 that Japan, Australia and India began discussion on a trilateral Supply Chain Resilience Initiative to reduce their dependency on China.[94]

Should Take More Account of Indonesia," East Asia Forum, July 19, 2020.

[87] The White House, "Joint Statement of the Governments of the United States of America, Australia, and Japan," November 17, 2018.

[88] U.S. Department of Defense, "Australia-Japan-United States Strategic Action Agenda," June 1, 2019.

[89] U.S. Department of Defense, "Australia-Japan-United States Defense Ministers Meeting Joint Statement," July 7, 2020.

[90] Grant Wyeth, "Japan and Australia Deepen Defense Ties," *The Diplomat,* November 25, 2019.

[91] Lauren Richardson, "Abe's Visit to Australia: Raising the Stakes," The Lowy Interpreter, November 15, 2018.

[92] Andrew Tillett, "Morrison, Abe to Strike Space Deal But Defence Pact Elusive," *The Financial Review,* July 8, 2020.

[93] Lauren Richardson, "Abe's Visit to Australia: Raising the Stakes," The Lowy Interpreter, November 15, 2018.

[94] "India-Japan-Australia Supply Chain in the Works to Counter China," *The Economic Times,* August 21, 2020.

India

The Australia-India strategic and defense relationship has also evolved rapidly in recent years. Bilateral defense relations between India and Australia began with a 2006 memorandum on Defense Cooperation and a 2009 Joint Declaration on Security Cooperation. Strategic dialogues between Canberra and New Delhi include annual Defense Policy Talks and an annual Track 1.5 Defense Strategic Dialogue.[95] During Prime Minister Modi's 2014 visit to Canberra, Australia and India agreed to extend defense cooperation to cover research, development, and industry engagement. They also formalized annual defense minister summits and made plans to conduct regular maritime exercises.[96]

A Framework for Security Cooperation between Australia and India was established in 2014 based on "converging political, economic and strategic interests."[97] Prime Minister Modi and then-Prime Minister Turnbull committed themselves in the framework to "deepening the bilateral defense and security partnership," and welcomed progress achieved through this Framework. They also shared a desire "to ensure that Indian Ocean architecture keeps pace with regional issues and addresses emerging threats and challenges in the region."[98] The first AUSINDEX exercise was held off Visakhapatnam, India, in 2015. Australia is also a participant in India's multilateral Milan exercise. In 2019, India hosted the AUSINDEX biennial bilateral military exercise which focused on anti-submarine warfare.[99]

During their virtual meeting in June 2020, Prime Minister Morrison and Prime Minister Narendra Modi signed a Mutual Logistics Sharing Agreement, which allows the two nations to share military bases for logistics support, and announced the elevation of their bilateral ties to a Comprehensive Strategic Partnership (CSP).[100] A Defence Science and and Technology Implementing Arrangement was also agreed to in June 2020.[101] The CSP is to further strengthen the two nations partnership and "contribute to a more secure, open, inclusive and prosperous Indo-Pacific."[102] Both nations agreed to deepen and broaden defense cooperation through military exercises and "to develop new ways to address shared security challenges." They also affirmed their commitment to have Foreign and Defense Ministers meet in a 2+2 format at least every two years. In the CSP the two nations also reaffirmed their vision for a "free, open, inclusive and rules-based Indo-Pacific region."[103]

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[95] "Defence Engagement," Australian High Commission, New Delhi, https://india.embassy.gov.au.

[96] Indian Ministry of External Affairs, "India-Australia Bilateral Relations," August 31, 2017.

[97] Australian Government, Department of Foreign Affairs and Trade, "Framework for Security Cooperation Between Australia and India 2014," November 18, 2014, https://www.dfat.gov.au/geo/india/Pages/framework-for-security-cooperation-between-australia-and-india-2014.

[98] David Brewster, "The Australia-India Framework for Security Cooperation," *Security Challenges*, vol. 11, no. 1, March 2015. See also David Brewster, *India as an Asia Pacific Power* (London: Routledge, 2012).

[99] "India-Australia Bilateral Defence Exercise Will Deepen Strategic Ties," *The Economic Times*, March 28, 2019.

[100] Harsh Pant and Premesha Saha, "India's Pivot to Australia," *Foreign Policy*, July 21, 2020.

[101] Australian Government Department of Defence, "Australia and India Sign Defence Arrangeemnt," https://www.minister.defence.gov.au.

[102] Prime Minister of Australia, "Joint Statement on a Comprehensive Strategic Partnership Between Republic of India and Australia," Media Statement, June 4, 2020, https://www.pm.gov.au/media/joint-statement-csp-republic-india-australia.

[103] "Joint Statement on a Comprehensive Strategic Partnership Between Republic of India and Australia," https://www.pm.gov.au/sites/default/files/media/csp-joint-statement.pdf.

It was reported in July 2020 that Australia would also likely be invited by India to join the 2020 Malabar naval exercise, which also includes naval forces from the United States and Japan. This has been viewed as a "sign that shared national security concerns over China's perceived expansionism in the region is bringing the two countries closer together."[104] If Australia joins the exercise, it would be the first time since 2007 that all four Quad countries have participated in a joint military exercise. India's reservations on inviting Australia to join Malabar have reportedly stemmed from its doubts about Australia after Australia pulled out of the first iteration of the Quad grouping in 2008 under former Prime Minister Kevin Rudd. India's reluctance to include Australia in Malabar may also be attributable to concerns that including Australia would antagonize China.

There are unconfirmed reports that Australian, Indian, and Indonesian Ministers for Foreign Affairs are planning to meet virtually to bolster regional cooperation in the Indo-Pacific.[105] This meeting will reportedly be followed by a meeting of the three nations Defense Ministers.[106] The Indonesia-Australia Comprehensive Economic Partnership Agreement entered into force on July 5, 2020. The agreement seeks to foster economic cooperation between the two nations.[107] The three countries held their first Senior Officials Trilateral Dialogue meeting in November 2017.[108]

In September 2020, India, Australia, and France held their first trilateral framework meeting focused on enhancing cooperation in the Indo-Pacific. The three nations discussed economic and geostrategic challenges and agreed to hold the trilateral talks annually.[109]

Pacific Step Up

Morrison's Pacific Step Up policy identifies the South Pacific as one of Australia's highest foreign policy priorities.[110] The 2020 Defence Update references the Pacific Step Up policy and the Boe Declaration adopted by Pacific Island Forum and states that "Australia is enhancing its security cooperation with Pacific countries, including through expanded ADF training activities, infrastructure development, maritime capability and people-to-people links." Australia remains the region's largest grant donor with AD$1.4 billion in 2019-2020 official development assistance to the region.[111] While Australia provided Pacific Island nations $5.87 billion in grant assistance over the period 2011-2017, China provided $518 million in grant assistance and $5.2 billion in loans.[112] In 2019, Australia set up a Pacific Support Force which employs a "mobile training team to strengthen capacity, resilience and interoperability throughout the region."[113] Australia has also

[104] Aarti Betigeri, "India, Australia and Containing the China Challenge," *The Interpreter*, July 21, 2020.

[105] Andrew Tillett and Emma Connors, "New Bloc of Australia, India, Indonesia Takes Shape Amid China Fears," *Australian Financial Review,* September 4 2020.

[106] "Foreign and Defence Ministers of India, Australia, Indonesia to Meet Amid Concerns over China," *Hindustan Times,* September 2, 2020.

[107] "Indonesia-Australia Comprehensive Economic Partnership Agreement," https://dfat.gov.au.

[108] S. Godbole, "What About India, Indonesia, Australia: The New Trilateral?" Brookings, September 19, 2018.

[109] "India, France Australia Hold First Trilateral Dialogue with Focus on Indo-Pacific," *The Times of India,* September 9, 2020.

[110] Australian Government, Department of Foreign Affairs and Trade, "Australia's Pacific Engagement," https://www.dfat.gov.au/geo/pacific/engagement/Pages/stepping-up-australias-pacific-engagement.

[111] Australian Government, Department of Foreign Affairs and Trade, "2019-20 Australian Aid Budget: Pacific at a Glance," https://www.dfat.gov.au/about-us/corporate/portfolio-budget-statements/Pages/2019-20-aus-aid-budget-pacific-at-a-glance.

[112] J. Hollingsworth, "Why China Is Challenging Australia for Influence over the Pacific Islands," *CNN,* July 22, 2019.

[113] Paul Osbourne, "Australia Creating Pacific Support Force," *The Canberra Times,* July 23, 2019.

opened a new Office of the Pacific within the Department of Foreign Affairs and Trade to coordinate Australia's deepening engagement with the Pacific.[114]

In August 2020, Prime Minister Morrison pointed to Australia's "special responsibility" to the South West Pacific and once again highlighted the importance of his government's Pacific Step Up policy towards the Pacific Island countries.[115] Under the Commonwealth Pacific Maritime Security Program, Australia is in the process of replacing older patrol vessels in 12 Pacific Island countries and Timor Leste with 21 new Guardian Class Patrol Boats.[116] The first of these boats was commissioned by Papua New Guinea (PNG) in February 2019.[117] The Pacific Maritime Security program also includes "integrated regional aerial surveillance, and efforts to strengthen regional coordination."[118]

Australian concerns that China may be seeking access to port facilities, or potentially a military base, in Australia's Pacific neighborhood have grown in recent years. Former Australian Prime Minister Malcolm Turnbull responded to reports that China was seeking to build a naval base in Vanuatu by stating that, "We would view with great concern the establishment of any foreign military bases in those Pacific Island countries and neighbours of ours."[119]

Plans were announced in November 2018 for Australia to partner with Papua New Guinea and the United States to develop the Lombrum Naval Facility on Manus Island, Papua New Guinea,[120] now appear to be uncertain. Manus Island was a key allied air and maritime base of operations during World War II. Vice President Pence pledged American support for the project while attending the APEC Summit in Port Moresby in November 2018.[121] In August 2019 it was announced that the first phase of plans to upgrade the deep water naval base had been completed. Upgrades reportedly include a new wharf, maritime infrastructure facilities, long-range communications, and troop barracks. At the time, it was reported that "The base will host Australian and U.S. naval ships as part of a deal signed with Papua New Guinea, and is seen as a potential counter to China's rising influence in the contested South China Sea."[122] Upgrades to the Momote airport near the Lombrum base are being done by the China Harbour Engineering Company, which is reportedly a subsidiary of one of the companies that constructed artificial island bases in the South China Sea.[123] It was reported in June 2020 that the PNG government indicated it would review its agreement with Australia.[124] There was some speculation in the

[114] Australian Government, Department of Foreign Affairs and Trade, "Office of the Pacific," http://www.dfat.gov.au.

[115] Prime Minister Scott Morrison, "Address, Aspen Security Forum, 'Tomorrow in the Indo-Pacific,'" August 5, 2020, https://www.pm.gov.au/media/address-aspen-security-forum-tomorrow-indo-pacific.

[116] Austal, "Guardian Class Patrol Boat (Pacific Patrol Boat Replacement)," https://www.austal.com/ships/guardian-class-patrol-boat-pacific-patrol-boat-replacement.

[117] "Pacific Security Bolstered as First Guardian Class Patrol Boat Commissioned," *Navy Daily*, February 12, 2019.

[118] Australian Government, Department of Defence, "Pacific Maritime Security Program," http://www.defence.gov.au.

[119] Hugh White, "Australia Must Prepare for a Chinese Military Base in the Pacific," *The Guardian,* July 14, 2019.

[120] Katharine Murphy, "America to Partner with Australia to Develop Naval Base on Manus Island," *The Guardian,* November 17, 2018.

[121] Tim Fish, "Australia, U.S. Set to Expand Papua New Guinea Naval Base," *USNI News,* November 23, 2018.

[122] "First Stage of Manus Naval Base Opens," *The Canberra Times,* August 24, 2019.

[123] Thomas Shugart, "A Chinese Built Airport Next Door to a Key Australia-US Naval Base?" *The Interpreter,* August 7, 2020.

[124] "PNG to Review Deal with Australia for Naval Base on Manus," Radio New Zealand, June 12, 2020. Issac Nicholas, "Govt to Revisit Lombrum Base Deal," *PNG Post Courrier,* June 12, 2020.

media that "If the deal gets revoked, it could provide China with an opportunity to have its own base in the region."[125]

The Quad

In 2017 Australia, India, Japan, and the United States revived their Quadrilateral Dialogue, also known as the Quad, after a lengthy hiatus; former Prime Minister Kevin Rudd had withdrawn Australia from Quad discussions in 2008 out of concern that they were in conflict with Australia's economic interests with China. Geostrategic considerations, as opposed to trade considerations, now appear to be more prominent in Australian decisionmakers' minds. The group has the shared aim of a free, open, and inclusive Indo-Pacific region.[126] The Quad countries have a common interest in

> maintaining a stable balance of power in the region, freedom of the seas, an open rules-based economic order, to counter debt-trap diplomacy and to limit the use of coercion by a state to assert territorial claims.[127]

Cooperation among Quad countries has increased as China continues to challenge the interests of individual Quad countries and the rules based order in the Indo-Pacific. Observers see deepening military cooperation among Quad countries as having the potential to deter China's attempts to alter the status quo in the region.[128] While India has been reluctant to invite Australia to participate in its Malabar naval exercise, which it holds with the United States and Japanese navies, it now appears that it could do so.[129] This decision may be influenced by increased tensions on the India-China border in the Himalaya at Doklam in 2017 and more recently along the Sino-Indian border between Ladakh and Tibet in 2020.[130] The United States Navy held parallel naval exercises with Quad countries in the Philippines Sea and the Indian Ocean in July 2020.[131]

Five Eyes

Australia is a member of the "Five Eyes" intelligence alliance with the United States, the United Kingdom (UK), Canada, and New Zealand. The group was formed in the aftermath of World War II through a multilateral agreement for signals intelligence cooperation. The group is viewed as the world's most significant intelligence alliance.[132] There is reportedly some discussion to expand Five Eyes membership and scope to include Japan[133] and address trade vulnerabilities in areas such as medical supplies or rare earths. China has supplied much of the world's rare earths, which are critical to the production of mobile phones and laptops and have widespread

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[125] "Can Australia Lose a Strategic Naval Base to China in Papua New Guinea," *The Eurasian Times,* June 12, 2020.

[126] U.S. Department of State, "U.S.-Australia-India-Japan Consultations ('The Quad')," May 31, 2019, https://www.state.gov/u-s-australia-india-japan-consultations-the-quad/.

[127] Lavina Lee, "Assessing the Quad: Prospects and Limitations of Quadrilateral Cooperation for Advancing Australia's Interests," The Lowy Institute, May 19, 2020.

[128] Grant Wyeth, "Why Has Australia Shifted Back to the Quad?" *The Diplomat*, November16, 2017.

[129] Harsh Pant, "India's Pivot to Australia," *Foreign Policy*, July 21, 2020.

[130] Jeff Smith, "Democracy's Squad: India's Change of Heart and the Future of the Quad," *War on the Rocks,* August 13, 2020.

[131] "US, Japan, India and Australia Simulate 'Quad' Drill in Indo-Pacific," *Nikkei Asian Review,* July 22, 2020.

[132] V. Tossini, "The Five Eyes—The Intelligence Alliance of the Anglosphere," https://ukdefencejournal.org.uk

[133] Ankit Panda, "Is the Time Right for Japan to Become Five Eyes' 'Sixth Eye'?" *The Diplomat,* August 15, 2020.

applications for defense. Australian MP Andrew Hastie, who chairs the Australian Parliament's Joint Committee on Intelligence, has spoken on Five Eyes countries' supply chain vulnerabilities and the need to "mitigate one another's weakness and yes there is a potential to build a free trading bloc."[134]

Five Power Defence Arrangements (FPDA)

Australia continues to be an active member of the Five Power Defence Arrangements (FPDA) regional security group. The FPDA is a non-binding defense pact established in 1971 that includes Australia, Malaysia, New Zealand, Singapore, and the United Kingdom. The FPDA holds several annual military exercises including Air Defense Exercises, Exercise Bersama Lima, Exercise Bersama Shield, and Exercise Suman Warrior. The FPDA continues to promote interoperability and increases security cooperation among members.[135] Britain's Prime Minister Boris Johnson has called for a more Global Britain and a more active role for the United Kingdom in the Indo-Pacific in the post-Brexit era.[136] A more active regional role for the United Kingdom could build on its existing ties to the region through its relationships with FPDA countries. The new carrier HMS *Queen Elizabeth* will reportedly deploy to the Indo-Pacific on its maiden voyage in 2021.[137] There is also speculation that the carrier may be based in the Far East.[138]

Potential Implications for Congress

Strategic Context

The strengthening of Australia's strategic posture raises the question for Congress of how best to support and leverage this to maximize U.S. strategic objectives, operational plans, and values in the Indo-Pacific strategic environment.

The implications for the United States of changes in Australia's strategic posture are related to the United States overall strategic vision for the Indo-Pacific and what role alliances should play in that. Those favoring a strategy in which the United States actively seeks to promote its values and interests by remaining engaged in the Indo-Pacific region will likely welcome Australia's strengthening of its capabilities and strategic relationships in the region and beyond. Others, favoring a less engaged role for the United States, may also support the strengthening of a like-minded ally that could shoulder a larger role in support of regional security and stability.

An informed assessment of Australia's changing strategic posture and its implications for the United States may be better understood in a broader context of American grand strategy toward Asia and the Pacific or the Indo-Pacific as a whole. A comprehensive overview of the history of the United States strategic engagement with Asia and the Pacific has found that

> If there is one central theme in American strategic culture as it has applied to the Far East over time, it is that the United States will not tolerate any other power establishing

[134] Patrick Wintour, "Five Eyes Alliance Could Expand in Scope to Counteract China," *The Guardian,* July 29, 2020.

[135] Li Jie Sheng, "The Future of the Five Power Defense Arrangements," *The Diplomat,* November 1, 2019.

[136] Alan Crawford, "Boris Johnson's Global Britain Collides with Reality," *Bloomberg,* July 22, 2020.

[137] Stephen Kuper, "Royal Navy Commits to Indo-Pacific Carrier Deployment," *Defence Connect,* July 15, 2020.

[138] Lucy Fisher, "Britain Set to Confront China with New Aircraft Carrier, HMS Queen Elizabeth May Be Base in Far East," *The Times,* July 14, 2020.

> exclusive hegemonic control over Asia or the Pacific. Put another way, for over two centuries, the national interest of the United States has been identified by key leaders as ensuring that the Pacific Ocean remains a conduit for American ideas and goods to flow westward, and not for threats to flow eastward toward the homeland.[139]

Within this context, the development of a key American ally's strategic posture has the potential to be of significant strategic value to the United States. According to one recently articulated view, changes in Australia's defense planning

> could alter the basic security dynamic in the Indo-Pacific region—and correspondingly, the U.S. approach to competition in this region. The questions now is whether Washington will notice the significant change in its most trusted Pacific ally's posture, whether it will choose to cooperate with Canberra's efforts to pull off its new strategy, and whether it will treat this as a useful model for other allies and partners.[140]

Some argue that in an Indo-Pacific region where relations between the United States and China have become increasingly strained, and at a time when China's power and assertiveness are rising, the need to be able to work with friends and allies, such as Japan, Korea, or Australia, to maintain regional stability and promote shared interests is extremely important.[141] Others have argued that U.S. allies and partners in the region "remain confused even doubtful" of America's espoused commitment to the Indo-Pacific region and that as a result, the United States needs to demonstrate more clearly that it "fundamentally believes in the strategic importance of alliances and partnership" to restore confidence in the United States.[142]

U.S. Indo-Pacific Strategy and the Quad

By developing its own Indo-Pacific-focused regional defense posture while also developing its strategic relationships with Japan and India and seeking to maintain its alliance with the United States, Australia is strengthening key linkages among Quad partners. A stronger defense posture when combined with enhanced strategic linkages with Japan and India could do much to allow the Quad to deter and respond to regional security challenges should the need arise. One option for Congress is to take advantage of Australia's developing ties with India and Japan and find ways to encourage and support further investment in developing the Quad. A stronger, more capable Australia, which shares values and strategic interests with the United States, with close coordination with other American allies and strategic partners, will likely do much to support U.S. regional objectives.

Burden Sharing

For many years, some U.S. defense planners have been concerned that United States allies do not spend enough on defense.[143] This view contends that friends and allies should be doing more to share the burden of defense spending. The strategic investments in Australian defense systems incorporated in the 2020 Defence Update (see **Figure 1**) do much to address concerns that

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[139] Michael Green, *By More Than Providence: Grand Strategy and American Power in the Asia Pacific Since 1783* (New York: Columbia University Press, 2017), p. 5.

[140] Zach Cooper and Charles Edel, "Australia Is Having a Strategic Revolution, and It's All About China," *Foreign Policy*, July 22, 2020.S

[141] Jeffrey Hornung and Scott Harold, "As Covid-19 Makes Clear, U.S. Allies in the Indo-Pacific, Not the Money They Pay to Host U.S. Forces, Are the Value Proposition," RAND, June 12, 2020.

[142] Yuki Tatsumi, "Needed: Restoration of U.S. Credibility in the Indo-Pacific," Stimson, September 18, 2020.

[143] Colby Lutz and Darrell Driver, "Burden Sharing Dilemmas and NATO's Tumultuous Summer," War Room, U.S. Army War College, September 27, 2018.

Australia could be doing more to shoulder the burden of defense spending. If, as planned, Australia continues to increase its defense spending in the years ahead, Congress could urge other friends and allies to follow Australia's lead.

Defense Exercises and Interoperability

Australian military forces have enjoyed a high level of interoperability with U.S. forces. The United States and Australia participate in a number of bilateral and multilateral defense exercises together, including Exercise Talisman Sabre which involves over 33,000 Australian and U.S. military personnel. Such exercises enable improved effectiveness of jointly operating military forces. Continuing to work closely with Australia as it develops its military forces may help maintain high levels of interoperability between U.S. and Australian forces. Such exercises and training may also expand to include other allies and defense partners, which could further develop U.S. interoperability with regional friends and allies. This presents Congress with an opportunity to urge the Administration to enhance bilateral exercises to further improve interoperability and, where appropriate, to include other regional partners.

Out of Area Deployments

Refocusing on Australia's nearer geostrategic region may have implications for Australian deployments with the United States farther afield. One potential downside for the United States to Australia's new strategic posture is the possibility that Australia will be more reluctant than in the past to join U.S.-led military coalitions beyond what Australia considers to be its area of immediate strategic interest. While it may be less likely to participate than in the past in the Middle East or elsewhere beyond Australia's area of immediate strategic interest, Australia could remain open to considering potential future requests for such deployments. This raises the possible question for Congress of what the implications or tradeoffs could be for operations in other theatres.

Arms Imports

Australia became the world's second-largest weapons importer in 2018.[144] It was the second-largest arms export destination for U.S. arms exports in 2019.[145] Australia has traditionally been one of the world's largest importers of American armaments. Recent key purchases include 72 F-35 JSFs, 12 EA-18G Growler airborne electronic attack aircraft, and 15 P-8 Poseidon maritime surveillance and patrol aircraft. A continued close strategic relationship with Australia, particularly at a time when Australia is significantly increasing defense procurement, would likely facilitate continued United States defense sales to Australia. One potential question for Congress is how it could best help facilitate such trade to maximize the United States' economic as well as strategic interests.

[144] Andrew Greene, "Australia Now World's Second Biggest Weapons Importer Behind Saudi Arabia," *ABC News* Australia, September 29, 2019.

[145] "US Arms Exports by Country, 219," Statista, http://www.statista.com.

Appendix. Australia-China Tensions

COVID and Trade Sanctions

Australia was one of the most vocal and early advocates for an independent inquiry into the origins and early handling of the coronavirus outbreak. This stance displeased Beijing.[146] China threatened economic action in response, and carried through by imposing barriers to Australian barley and beef and by discouraging its students and tourists from going to Australia after Australia called for an inquiry into COVID-19's origins at the World Health Assembly. China also announced an anti-dumping investigation into Australian wine exports to China in August 2020.[147] Such efforts to intimidate and coerce Australia and shape its behavior through China's economic leverage were not well received in Australia. Prime Minster Morrison stated, "I'm never going to trade out values in response to coercion."[148]

China's actions have highlighted for many in Australia the need to diversify Australian export partners and lessen Australia's reliance on China. Australia is vulnerable to China's actions because China is Australia's largest trading partner, accounting for almost a third of Australia's exports in 2019.[149]

Despite rising political tensions and China's economic actions against certain aspects of trade with Australia, Australian exports to China reached a record AD$14.6 billion in June 2020 with China accounting for 48.8% of all Australian goods exports at that time.[150] Australia's trade surplus increased 174% to reach AD$10.6 billion in March 2020.[151] The surge in demand for Australian commodities such as iron ore, coal, and gold were a key part of the increased demand. An economist at the Australian National Bank stated, "China's share of Australian exports is growing despite political head winds."[152] There are increasing calls on corporate Australia to diversify their trade relationships to lessen Australia's reliance on the China market and make Australia less vulnerable to coercion from China.[153]

Influence Operations

A recent report by the Australian Strategic Policy Institute (ASPI), an independent and non-partisan think tank, has accused the Chinese Communist Party's United Front Work Department (UFWD), the agency responsible for coordinating influence operations, of eroding democratic systems while boosting the Chinese Communist Party's influence abroad.[154] According to ASPI,

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[146] Daniel Hurst, "Australia Hails Global Support for Independent Coronavirus Investigation," *The Guardian,* May 18, 2020.

[147] Bill Birtles, "China Launches Second Probe into Australian Wine," *ABC News* Australia, August 31, 2020.

[148] S. Dziedzic, "China Seems Intent on Using its Economic Heft to Intimidate Australia," *ABC News* Australia, June 12, 2020.

[149] Frances Mao, "How Reliant Is Australia on China?" *BBC News,* June 17, 2020.

[150] J. Smith and T. Hale, "Australia's Record Trade Surplus on Back of China Demand," *Financial Times,* https://www.ft.com.

[151] Wayne Cole, "Gold Rush, Improving China Demand," *Reuters,* April, 2020.

[152] J. Smyth and T. Hale, "Australia Reports Record Trade Surplus on Back of China Demand," *Financial Times,* 2020.

[153] Heath Baker, "Managing Chinese Economic Risks Means More Than Diversification," *The Interpreter,* July 28, 2020.

[154] Max Walden, "China Rejects Report Alleging 'Important Magic Weapon' Wielding Covert Influence in Australia," *ABC News* Australia, June 16, 2020.

the UFWD's efforts to reach beyond the borders of the People's Republic of China (PRC) into foreign political parties, diaspora communities, and multinational corporations is an exportation of the CCP's political system and undermines social cohesion, exacerbates racial tension, influences politics, harms media integrity, facilitates espionage, and increases unsupervised technology transfer.[155]

Included in a list of groups to be targeted by the UFWD are overseas ethnic Chinese, their relatives in the PRC and overseas, and returned overseas students. Efforts aimed at the target groups are "designed to bring them under the party's leadership not merely to neutralize any opposition they may pose but also to have them serve as platforms for further efforts."

The Australian Federal Police (AFP) and the Australian Secret Intelligence Organization (ASIO) are investigating an alleged plot to infiltrate the New South Wales (NSW) parliament through the office of a NSW Member of Parliament (MP).[156] In June 2020, Australian authorities raided NSW MP Shaoquett Moselmane's residence as part of an investigation into alleged influence operations by China.[157] Moselmane was not charged at the time but he was suspended from the Labor Party. Moselmane had praised China President Xi Jinping in April 2020 for his "unswerving leadership" in responding to the coronavirus, and had reportedly taken nine privately funded trips to China since entering the NSW state parliament in 2009. These trips were reportedly at least in part funded by Chinese government agencies. When asked about the case Prime Minister Morrison stated, "We won't cop anyone coming and seeking to interfere in our political system."[158]

Polls and Public Sentiment

According to 2020 polling data, Australians' trust in China has fallen to a new low. The Lowy Institute's polling data found that 23% of Australians said they "trust" China "to act responsibly in the world" as compared to 52% who did in 2018. Although 22% of Australians polled believed China's President Xi Jinping would "do the right thing regarding world affairs," that was half of what it was in 2018. As a point of comparison, 73% had confidence in Japan's Prime Minister Shinzo Abe. The poll also found that 94% of those polled felt that Australia should "reduce our economic dependence on China."[159] When asked in 2015 whether China was "more of an economic partner" or "more of a security threat," 77% responded that China was more of an economic partner. In 2020, that dropped to 55% while those describing China as "more of a security threat" increased from 15% in 2015 to 41% in 2020.[160]

Cyberattacks

Australia is experiencing an increase in the frequency, scale, and sophistication of cyber espionage and attacks which intelligence officials reportedly describe as a "relentless,

[155] Alex Joske, "The Party Speaks for You: Foreign Interference and the Chinese Communist Party's United Front System," Australian Strategic Policy Institute, June 9, 2020.

[156] Sean Rubinsztein-Dunlop and Echo Hui, "Australia Revokes Chinese Scholar Visas and Targets Media Officials, Prompting Furious China Response," *ABC News* Australia, September 9, 2020.

[157] "Chinese State Media Accuse Australia of Raiding Journalists' Homes," BBC News, Spetember 9, 2020, https://www.bbc.com/news/world-australia-54083583.

[158] "Australian Lawmaker Investigated in China Influence Probe," *The Diplomat,* June 26, 2020.

[159] Weizhen Tan, "Australians' Trust in China Falls to Record Low," *CNBC,* June 24, 2020.

[160] "Australians Pessimistic About Economic Outlook and Even More Suspicious of China," *The Conversation,* June 23, 2020.

increasingly aggressive campaign by China to spy on, disrupt and threaten the country's government, vital infrastructure and most important industries."[161] Based on advice from the Australian Cyber Security Centre, Australian Prime Minister Morrison and Minister for Defence Linda Reynolds stated in June 2020 that

> Australian organisations are currently being targeted by a sophisticated state-based cyber actor. This activity is targeting Australian organisations across a range of sectors, including all levels of government, industry, political organisations, education, health, essential service providers, and operators of other critical infrastructure.[162]

The Australian Signals Directorate reportedly concluded in March 2019 that China's Ministry of State Security was responsible for cyberattacks against the Australian Parliament and Australia's three largest political parties.[163] The Australian National University was reportedly subject to a large scale data hack from a "sophisticated operator" in 2018.[164] It was reported in 2017 that a hacker stole information related to the Joint Strike Fighter, the P-8 and C-130 aircraft, and several Australian naval ships from an Australian defense contractor in 2016.[165] The hackers reportedly could have been from a criminal group or have been state sponsored.[166]

Prime Minister Morrison has described cyberattacks against Australian targets as increasingly sophisticated and dangerous. A 2020 hack involving the Indonesian Embassy in Canberra used a new cyberattack tool named Aria-body that allows hackers "to remotely take over a computer, to copy, delete or create files, and to carry out extensive searches of the device," according to press reports. Cybersecurity experts say Aria-body has been traced to the Chinese military.[167] In 2013, Australian journalists reported that a server in China was used to steal the plans for the new headquarters of the ASIO.[168]

In June 2020, Prime Minister Morrison announced that his government would do more to boost the cyber capabilities of the Australian Signals Directorate and the Australian Cyber Security Centre. The Australian government released its Cyber Security Strategy in August 2020. The strategy is to invest AD$1.67 billion over 10 years to protect Australia's citizens, businesses, essential services and critical infrastructure from "the most sophisticated threats."[169]

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[161] Damien Cave, "Australia Spending Nearly $1 Billion on Cyberdefense as China Tensions Rise," *New York Times*, June 30, 2020.

[162] Australian Government, Department of Defence, Joint Statement of Prime Minister Scott Morrison and Minister for Defence Linda Reynolds, "Statement on Malicious Cyber Activity Against Australian Networks," June 19, 2020.

[163] Colin Packham, "Australia Concluded China Was Behind Hack on Parliament, Political Parties," *Reuters*, September 15, 2019.

[164] "ANU Data Breech Stretching Back 19 Years Detected," *ABC News* Australia, June 3, 2019.

[165] "Hacker Codenamed Alf from Home and Away Stole Secret Data on Joint Strike Fighter Jets and Surveillance Planes," *ABC News* Australia, October 11, 2017.

[166] David Wroe, "Hacker Codenamed in Honor of 'Alf' from Home and Away Stole Sensitive Data About Australian Military Projects," *The Sydney Morning Herald*, October 11, 2017.

[167] Damien Cave, "Australia Spending Nearly $1 Billion on Cyberdefense as China Tensions Rise," *The New York Times*, June 30, 2020.

[168] "China Blamed After ASIO Blueprints Stolen in Major Cyber Attack on Canberra HQ," *ABC News* Australia, May 27, 2013.

[169] Australian Government, Department of Home Affairs, "Australia's Cyber Security Strategy," http://www.homeafairs.gov.au.

Australia and China's Belt and Road Initiative

The Australian Federal Government has not signed Australia up to China's Belt and Road Initiative (BRI), which seeks to develop China's trade routes across the globe largely by extending loans and investing in local infrastructure. Instead, Australia, along with the United States and Japan, is a member of the Blue Dot Network which seeks to promote high standards of transparency, sustainability, and developmental impact.[170] Despite the federal government's reluctance to join the BRI, the Australian state of Victoria reached an agreement with China on a Memorandum of Understanding to join the BRI in 2018.[171] In describing the BRI deal with Victoria, Australian Prime Minister Morrison stated, "It is not a program that the Australian government has signed up to, it is not the Australian government's foreign policy and all states and territories should not be doing things that act inconsistently with the federal policy."[172] Home Affairs Minister Peter Dutton described the BRI as "a propaganda initiative from China [that comes with an] enormous amount of foreign debt."[173] In August 2020, Prime Minister Morrison announced a plan under which all such agreements would have to be registered with the federal government where they would be subject to scrutiny and those found against the national interest would be canceled.[174]

Academic Freedom and Values

Recent events have stoked debate in Australia over the role of values in Australia's relations with China. Australian media reports are concerned that a close relationship with China is causing Australia to compromise its values. This concern is evident in reporting on academic freedom in the education sector. From 2013 to 2019 the export income generated from foreign students rose steadily.[175] Education exports are generally Australia's third or fourth largest export and reached approximately AD$40 billion in 2019, making it the country's fourth largest export behind iron ore, coal, and gas that year.[176] Chinese students are the largest foreign student cohort, representing 33% of foreign student enrollments in Australian universities in 2019. By one estimate, Chinese student fees are worth AD$12 billion per year to Australian universities.[177]

In early August 2020 the University of New South Wales (UNSW) deleted social media posts critical of China's actions in Hong Kong following an online backlash from Chinese nationalists. Australian Liberal Senator James Paterson responded by accusing the university of "craven behavior" in valuing the revenue from Chinese students more than academic freedom. The article that created the controversy was based on comments by Human Rights Watch Australia Director and UNSW Adjunct Lecturer Elaine Pearson calling for action to address the "rapidly

[170] Mercy Kuo, "Blue Dot Network: The Belt and Road Alternative," *The Diplomat,* April 7, 2020.

[171] Josh Taylor, "China's Belt and Road Initiative: What Is It and Why Is Victoria Under Fire for Its Involvement?" *The Guardian,* May 25, 2020.

[172] Anthony Galloway and Michael Fowler, "'Inconsistent with Foreign Policy': Morrison Urges Victoria to Scrap Deal," *The Age,* June 11, 2020.

[173] Josh Taylor, "China's Belt and Road Initiative: What Is It and Why Is Victoria Under Fire for Its Involvement?" *The Guardian,* May 25, 2020.

[174]Michael Grattan, "Scott Morrison Wants Federal Control over State-Based Agreements with Foreign Governments Like China," *The Conversation,* August 27, 2020.

[175] "Export Income from International Education Activity in Australia," Statista, http://www.statista.com/statistics.

[176] John Ross, "Australian International Education 'A Cheap Fix' Says Federal MP," *Times Higher Education,* May 4, 2020.

[177] Robert Bolton, "Unis Fear $12b Hit as Chinese Students Stay Home," *Financial Review,* April 28, 2020.

deteriorating" human rights situation in Hong Kong. UNSW reportedly has more than 16,000 Chinese students who make up approximately a quarter of UNSW's student body.[178]

A University of Queensland student protesting China's human rights record with Tibetans, Uighurs, and residents of Hong Kong was suspended by the University for two years in 2020.[179] This action also called into question academic independence at Australian universities. China's Counsel General in Brisbane, who has taught courses at the university, has accused democracy activists of "anti-China separatist activities" and praised counter-protestors who support China.[180] According to one academic, "Beijing's influence on campuses is responsible for widespread self-censorship by universities and academics in Australia and New Zealand."[181] In August 2020, Australia's parliament appeared ready to establish a probe by its security and intelligence committee into allegations of foreign interference at Australian universities.[182]

Hong Kong

In response to China's Hong Kong National Security Legislation and crackdown on pro-democracy Hong Kong activists, Prime Minister Morrison announced that Australia would suspend its extradition treaty with Hong Kong and offer safe haven to many Hong Kong students and graduates living in Australia.[183] In response, the Chinese Embassy in Canberra released a statement that it "strongly deplores and opposes the groundless accusations and measures announced by the Australian government.… [T]hey have blatantly interfered in China's internal affairs."[184]

Press Freedom

Australia updated its travel advisory for China in July 2020 to warn that Australians could be subject to arbitrary arrest in China, following media reports in China accusing Australia of waging an espionage offensive.[185] Australian citizen Yang Hengjun, a former Chinese official and democracy advocate, has been held in isolation at a state security detention center in China on espionage charges for over a year. The Australian government has rejected the allegations against him and called for his release.[186]

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[178] Fergus Hunter and Eryk Bagshaw, "'Craven Cowardice': UNSW Condemned for Deleting Posts Critical of Beijing," *Sydney Morning Herald,* August 3, 2020.

[179] "University of Queensland Student Suspended for Two Years After Speaking Out on China Ties," *The Guardian,* May 29, 2020.

[180] O. Patrick, "Student Known as Vocal Critic of China Faces Expulsion from Australian University," *Washington Post,* April 16, 2020.

[181] O. Patrick and E. Stokes, "China's Influence on Campus Chills Free Speech in Australia, New Zealand," *Washington Post,* August 9, 2019.

[182] "Australia to Investigate Foreign Interference at Universities, Amid China Concerns," *Agence France Press,* August 31, 2020.

[183] Stephen Dziedzic, "What's Behind Australia's Response to the Chinese Government's Crackdown on Hong Kong," *ABC News* Australia, July 11, 2020.

[184] Daniel Hurst, "China Accuses Australia of 'Gross Interference' After Offer of Safe Haven for Hong Kong Visa Holders," *The Guardian,* July 9, 2020.

[185] Daniel Hurst, "China Travel Warning: Australian Told They May Be at Risk of Arbitrary Detention," *The Guardian,* July 7 2020.

[186] Ben Doherty and Lily Kuo, "China Set to Indict Australian Academic Yang Hengjun on Espionage Charges," *The Guardian,* March 25, 2020.

China reported in August 2020 that Cheng Lei, who is an Australian citizen, was being held under "residential surveillance at a designated location." Prior to being detained, Cheng Lei was a high profile Australian television anchor for the Chinese government's English news channel. Ms. Cheng has reportedly not been charged.[187] Cheng's detention has raised concern that she has been taken as a hostage by China.[188]

Two Australian journalists sought refuge in Australian diplomatic missions in China after being questioned by police. The Australian government was able to negotiate their departure from China. Australian media outlets no longer have any journalists working in China.[189]

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[187] Bill Birtles, "Cheng Lei, Australian Anchor for China's Government-Run English News Channel CGTN, Detained in Beijing," *ABC News* Australia, August 31, 2020.

[188] Clive Hamilton, "Cheng Lei Is a Strange Choice for a Diplomatic Hostage," *The Sydney Morning Herald*, September 1, 2020.

[189] James Griffiths and Julia Hollingsworth, "Australian Journalists Evacuated from China After Five Day Stand Off," *CNN*, September 8, 2020.