

# Strengthening the U.S.– Australian Alliance

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## KEY TAKEAWAYS

Australia's 2024 national defense documents are indicative of a country that takes national security seriously and is committed to the security of the Indo-Pacific.

If Australia sticks to the 10-year plan and funds it sufficiently, the Australian military will be far more able to protect Australian national security interests.

Given the resource constraints that the United States is facing, increased defense spending by allies will be critical to maintaining a free and open Indo-Pacific.

The Australian government recognizes the security arrangements, interoperability, intelligence sharing, and industrial cooperation between the United States and Australia as “critical to Australia’s national security” and recommends strengthening the U.S.–Australian alliance in a wide variety of ways.<sup>1</sup> It also recognizes that an unfavorable shift in the strategic balance in the Indo-Pacific would increase the risk of Australia being coerced militarily or economically and unable to pursue its own sovereign interests.

Likewise, the U.S. government recognizes the wide variety of ways in which the United States and Australia currently cooperate on security issues, reaffirms the American commitment to the U.S.–Australian alliance, and praises the Australia–U.K.–U.S. (AUKUS) security partnership for promoting stability in the Indo-Pacific and deepening defense integration between the two nations.<sup>2</sup>

This paper, in its entirety, can be found at <https://report.heritage.org/bg3868>

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Australia has a prominent role to play in U.S. and allied national security strategy as envisaged by American conservative realists and Indo-Pacific prioritizers. Conservatives should support the strengthening of the U.S.–Australian alliance for a number of reasons, including but not limited to:

- The alliance with Australia is a key component of U.S. Indo-Pacific strategy, and the Indo-Pacific must be the priority region for U.S. national security.
- Australia is demonstrating intent to step up in a major way over the next decade, offering critical basing access, raising defense spending, realigning its strategy and budget in a way that is complementary to U.S. budget and strategy in the region, and even investing billions of dollars directly in U.S. defense industrial base infrastructure improvements.
- The forward deployment and in-theater maintenance of American *Virginia*-class nuclear submarines, together with air asset access and related upgrades to Australian airfields, are the most immediate benefits of AUKUS, allowing as they do more constant and agile U.S. military presence in the Western Pacific.
- Australia has long been a dependable ally, fighting alongside the United States in the major wars the U.S. has been involved in over the past century. America and Australia have shared history and shared national interests, including ensuring freedom of navigation in the Indo-Pacific and preventing Chinese hegemony in the region.
- The AUKUS model should be replicated in whole or in part with other key U.S. allies, such as Japan. Japan should look to Australia when implementing reforms that make it easier for America to share critical defense technology.

## Australia's National Defence Strategy

In 2024, Australia published a National Defence Strategy which outlines the steps Australia must take to implement a strategy of denial in the Indo-Pacific.

**Strategic Environment.** Australia’s National Defence Strategy assesses the strategic environment in the Indo–Pacific to be rapidly deteriorating and predicts that competition between China and the United States will continue to define the region’s security dynamic for the foreseeable future.<sup>3</sup> As a result, it recommends that Australia work even more closely with the United States than it has in the past (as well as other critical allies and partners, notably India, Japan, and South Korea). The document recognizes that an unfavorable shift in strategic balance (implied but not stated as a marked increase in Chinese power in the region at the expense of the United States and its allies) would increase the risk to Australia of being coerced and being unable to pursue its own sovereign interests.

**Strategy of Denial.** The Australian National Defence Strategy outlines a “strategy of denial” as the theoretical organizing principle for its efforts. Australia’s strategy of denial requires an Australian military capable of signaling a “credible ability to hold potential adversary forces at risk” and seeking to “deter attempts to coerce Australia through force.”<sup>4</sup>

The Heritage Foundation likewise has called for a national security strategy and budget based on a strategy of denial in the Indo–Pacific, in the *Special Reports* “The Prioritization Imperative: A Strategy to Defend America’s Interests in a More Dangerous World” and “A Conservative Defense Budget for Fiscal Year 2025.”<sup>5</sup>

**Priorities.** The Australian National Defence Strategy identifies six immediate priorities to address its most pressing defense needs.<sup>6</sup> These six priorities are:

1. Advancing Australia’s conventionally armed, nuclear-powered submarine (SSN) capability.
2. Enhancing Australia’s long-range strike capabilities and guided weapons and explosive ordnance (GWEO) enterprise.
3. Strengthening Australia’s northern bases.
4. Improving the growth and retention of a highly skilled workforce.
5. Boosting innovation, including through the Advanced Strategy Capabilities Accelerator (ASCA).
6. Prioritizing Australia’s partnerships in the Indo–Pacific.

In addition to these immediate priorities, two of Australia's other most important goals include refocusing its army on littoral operations and expanding its navy's surface combatant fleet.

**1. Advancing Australia's Conventionally Armed, Nuclear-Powered Submarine (SSN) Capability.** The procurement of nuclear submarines from the United States and subsequent building of the indigenously produced nuclear submarine currently known as SSN-AUKUS is both the cornerstone of Australia's national security strategy and its most challenging goal.

**2. Enhancing Australia's Long-Range Strike Capabilities and Guided Weapons and Explosive Ordnance (GWEO) Enterprise.** Acquiring significant long-range strike capabilities is essential to Australia's goal of a functioning strategy of denial. The Australian Defence Force (ADF) will need a deployable strike capability with sufficient range to deny an adversary access to the northern approaches to Australia. This is especially salient in light of China's massive missile buildup, which includes missiles capable of reaching Australia's northern military bases. Australian strategic planners assess that this change has reduced Australia's natural geographic advantage in isolation from the security threats of the Asian mainland.<sup>7</sup>

**3. Strengthening Australia's Northern Bases.** Australia is looking to align its basing and infrastructure investments with its new strategy.<sup>8</sup> Other countries in the region, including Japan and India, are currently engaged in a similar exercise. Australia's strategy of denial necessitates a focus on its northern bases in order to project deployed forces and operate through potential disruptions. The Australian federal government will spend \$19 billion on upgrading military bases in northern Australia (with the majority of this going to the Northern Territory) over the next decade. Defense spending will increase from an already substantial 7.5 percent of the Northern Territory's economy, with net benefits for local residents.

**4. Improving the Growth and Retention of a Highly Skilled Workforce.** Australian policymakers have recognized the need to expand the workforce of the national defense industrial base in order to meet the shipbuilding and munitions goals of the ADF. To achieve this goal, the federal government is teaming up with regional governments through initiatives like the "Commonwealth and South Australian Government Defense Industry Workforce" and the "Commonwealth and Western Australia Nuclear Powered Submarine Steering Group" to drive investment and education in the defense industrial base labor sector.<sup>9</sup>

**5. Boosting Innovation, Including Through the Advanced Strategy Capabilities Accelerator (ASCA).** The ASCA program was established to “rapidly translate disruptive new technologies into defense capability in close partnership with Australian industry and research organizations.” One very positive aspect of the ASCA’s mission is that it will typically set limits of three years with clear performance targets to avoid the problem commonly seen in American research, development, testing, and evaluation (RDT&E) of open-ended funding for research that fails to move into development.<sup>10</sup> Australia should fund research for its own sake and ensure that the funding stays focused on moving into the development of systems designed to fill specific capability gaps.<sup>11</sup>

**6. Prioritizing Australia’s Partnerships in the Indo–Pacific.** Australia recognizes the importance not just of its relationship with the United States, but also with the other countries of the Indo–Pacific who have an interest in maintaining a free and open Indo–Pacific free from Chinese hegemony. Australia’s National Defence Strategy names Japan and India as two of the most important countries with whom Australia must deepen its defense cooperation.<sup>12</sup>

**Littoral Operations Focus for the Army.** Not unlike the U.S. Marine Corps’ Force Plan 2030, the Australian army is currently restructuring itself to prioritize littoral combat operations in the Indo–Pacific in order to align itself in terms of structure and capabilities with Australia’s national security strategy. The ADF is transforming itself from a balanced force to a prioritized force focused on applying the strategy of denial. The Royal Australian Navy’s Australian Maritime Doctrine defines the littoral as “[t]he areas seaward of the coast which are susceptible to influence or support from the land and the areas inland from the coast which are susceptible to influence or support from the sea.”<sup>13</sup> The seas to the north of Australia are full of these contested littorals in which both land and sea power are relevant. Thus, the Australian Army is optimizing to fight in just such an environment (as is the U.S. Army in the Indo–Pacific).<sup>14</sup>

**Navy Surface Combatant Fleet.** In addition to its plans for the purchase and eventual construction of nuclear submarines, Australia is also expanding its surface fleet, primarily through the procurement of six new frigates. These ships, *Hunter*-class frigates, will be primarily responsible for anti-submarine warfare. Additionally, Australia is enhancing the lethality of its surface combatant fleet in the short term by integrating American missile systems into the core competencies of its ships. Australian ships are integrating the Tomahawk missile, Naval Strike Missile, and Standard-Missile-6 (SM-6) to better enable its ships to strike air, land, and sea targets.<sup>15</sup>

## Australian Integrated Investment Strategy

Concurrently, Australia published an Integrated Investment Strategy, aiming to allocate sufficient resources to fund its National Defence Strategy.

**Defense Spending Aligned with Strategy.** To its credit, the Australian government has made a concerted effort to align its defense spending increases with its 2024 National Defence Strategy. Traditionally, Australian defense planning has tended to balance spending between the services, with the army receiving just as much or more attention than the navy. Over the past several decades, in particular, the ADF has focused on the army's role in supporting land-based, U.S.-led military operations in the Middle East as part of the Global War on Terror. Australia is now realigning its defense spending to match the most pressing threats posed to its security and to resource the strategy of denial Australian planners have outlined in response. To give one example, Australia had previously planned to add hundreds of armored infantry vehicles to the army's inventories, a project that would have been the most expensive in its history. Instead, the plan has been scrapped, and funding has been refocused on more relevant areas, such as building a long-range strike force. There are trade-offs with this approach, and other sectors of the ADF will lose funding.<sup>16</sup>

**Sustained Defense Spending Increases.** Australia deserves praise for its 10-year spending plan, which represents an increase in spending and is focused on the procurement of weapons systems. However, there is a significant risk that the money being spent will be insufficient for Australia to realize its planned investments.<sup>17</sup> It is more than likely that Australia will need to allocate more than it is currently planning to realize its long-term procurement and strategy goals.

**Focus on Naval Procurement.** In line with its strategy of denial, Australian spending over the next decade is heavily focused on naval procurement, with the majority of new funding going to the navy instead of the army.

**Defense Industrial Base Strategy.** Australia has a plan for its defense industrial base, laid out in the Defense Industry Development Strategy, which is capable of meeting the priorities of (among others) maintenance and repair of ADF aircraft, continuous shipbuilding and sustainment, and the domestic manufacture of guided weapons, explosive ordnance, and munitions.<sup>18</sup> In the short term, the most crucial aspect of this will be the ability of the Australian defense industrial base to deliver precision-guided munitions (PGM) both for itself and for the U.S. (in whole or as components). The United States' inventories of PGMs are low, which creates a dangerous deterrence gap in both the Taiwan Straits and the South China

Sea.<sup>19</sup> Australia could contribute more to regional stability well before its new ships come online by helping to rectify this shortage in munitions.

## The Status of AUKUS

Much of Australia's shift in strategy and funding is tied to the success of the landmark AUKUS agreement announced in 2021 with the United States and the United Kingdom.

**In-Theater Stationing and Maintenance of U.S. Nuclear Submarines.** In the short term, the most important AUKUS initiative from a strategic perspective is the stationing of up to four U.S. Navy *Virginia*-class attack submarines at HMAS Stirling naval base in Western Australia (near Perth), starting in 2027.<sup>20</sup> This move has several aspects that will have critical net positive effects on the regional strategic picture, Australia's plans to build its own fleet of nuclear-powered submarines, and the operations and growth of the existing U.S. fleet.<sup>21</sup>

A rotational presence of U.S. nuclear-powered submarines based at HMAS Stirling will increase the number of American undersea assets in the region at any given time, enhancing deterrence in the region. An American *Virginia*-class submarine based at HMAS Stirling can reach the South China Sea in just three or four days, as opposed to 11 days or more when traveling from the West Coast of the United States.

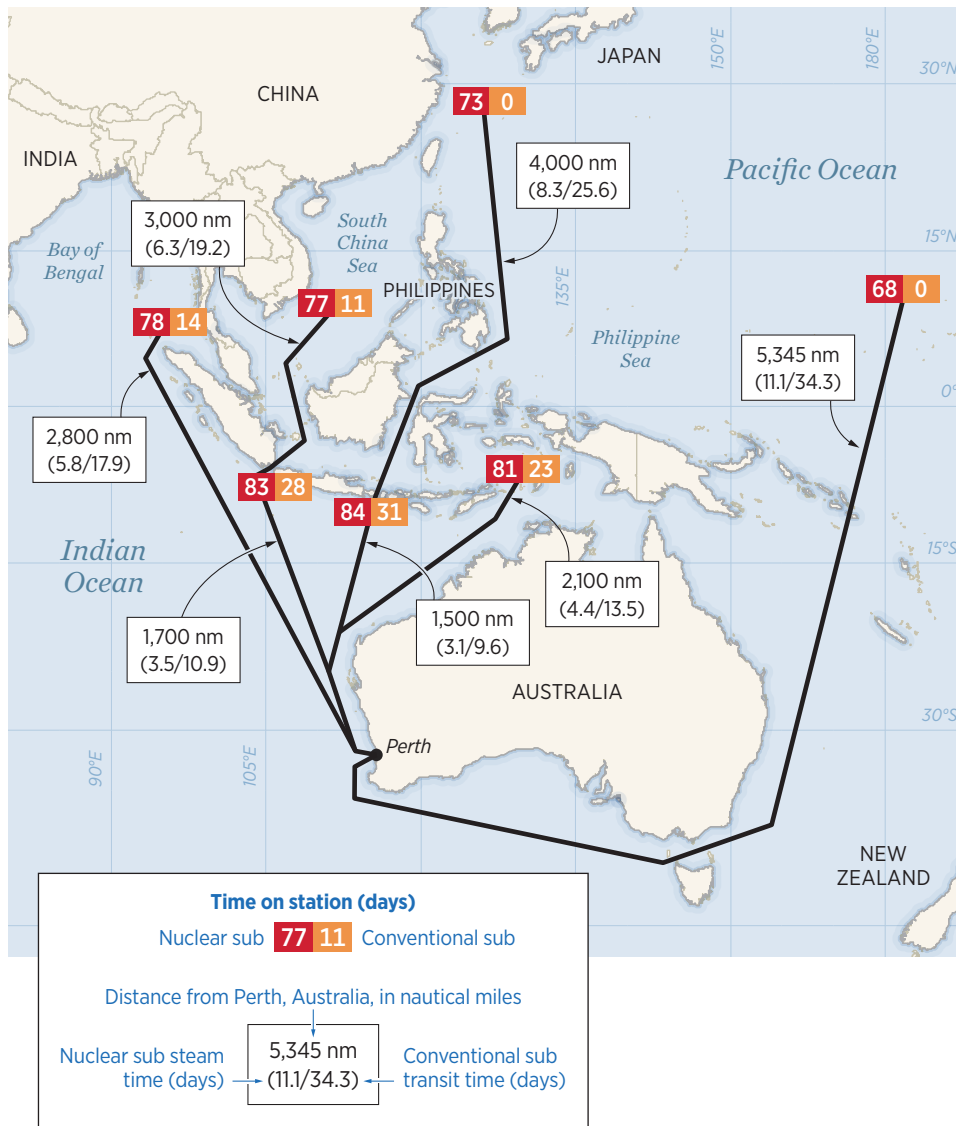
The rotational presence of U.S. nuclear-powered submarines provides a continuing opportunity for Australian naval personnel to learn how to operate and maintain nuclear-powered submarines in advance of Australia's purchases of *Virginia*-class submarines beginning in the early 2030s. This training has already begun, with Australian submariners training with U.S. Navy personnel on visiting U.S. submarines like the USS *Hawaii* in August 2024.<sup>22</sup> The *Hawaii* pulled into port alongside the USS *Emory S. Land*, a submarine tender that has hosted three dozen sailors from the Royal Australian Navy throughout 2024 learning how to maintain *Virginia*-class submarines. The maintenance being conducted on the *Hawaii* at HMAS Stirling in late 2024 is the first time a U.S. nuclear-powered submarine has undergone an overhaul on foreign soil.<sup>23</sup>

There is a substantial maintenance backlog at the handful of U.S. shipyards able to conduct maintenance on U.S. nuclear submarines. These same shipyards are also tasked with building new submarines, and the backlog has caused significant delays and cost overruns. Australia helping to clear the substantial maintenance backlog on U.S. submarines will both increase the number of operationally available boats in the Pacific and free up U.S. shipyards for building new submarines instead of maintaining existing ones.

MAP 1

## The Benefits of a Nuclear Submarine Fleet in Australia

Nuclear-powered submarines stationed in Western Australia could reach potential zones of conflict and major shipping lanes much quicker than conventional submarines. Nuclear submarines can travel at faster speeds (about 20 knots) than conventional submarines (6.5 knots) and can stay on station significantly longer.



**NOTE:** Calculations for times on station are based on 6.5 knots and 50 days of endurance for conventional subs, and 20 knots and 90 days of endurance for nuclear subs.

**SOURCE:** Jim Thomas, Zack Cooper, and Iskander Rehman, "Gateway to the Indo-Pacific: Australian Defense Strategy and the Future of the Australia-U.S. Alliance," Center for Strategic and Budgetary Assessments, 2013, p. 33, Figure 3: "Comparison of Submarine Time on Station at Critical Chokepoints,"

[https://csbaonline.org/uploads/documents/Gateway\\_to\\_IndoPacific1.pdf](https://csbaonline.org/uploads/documents/Gateway_to_IndoPacific1.pdf) (accessed October 25, 2024).

**Investment in the U.S. Submarine Industrial Base.** As part of the AUKUS agreement, Australia is investing \$3 billion in the U.S. submarine industrial base in the United States itself.<sup>24</sup> This money is intended to boost U.S. shipyard capacity to increase production of *Virginia*-class submarines.<sup>25</sup> The first installment of this funding is likely to be delivered in 2025. This sort of investment in the American shipbuilding capacity by a U.S. ally is unprecedented and is one of the clearest indicators of Australia's commitment to the AUKUS agreement and to the U.S.–Australian alliance.

## Potential Obstacles

There are potential obstacles to the success of the AUKUS agreement, and the deepening of U.S.–Australian security relations. From the Australian side, the biggest potential obstacles to these plans are shipbuilding delays jeopardizing fleet expansion plans and policymakers who may not fund the plan sufficiently. The biggest potential obstacles to these plans from the American side are cuts to *Virginia*-class submarine procurement and strategic distraction from the necessary prioritization of the Indo–Pacific.

**Prevention of Shipbuilding Delays.** The Australian government is more than aware of this potential obstacle to success, having experienced repeated delays itself and having watched the United States and Britain deal with their own shipbuilding delays in recent years. The American example is especially salient, given that every major U.S. ship currently under construction is facing delays because of labor shortages and requirement overload.

As of 2024, Osborne Naval Shipyard, just outside of Adelaide in southern Australia, has cut steel on the first of the new *Hunter*-class frigates. When viewed in comparison with Marinette Shipyard in Marinette, Wisconsin, the American shipyard building the U.S. Navy's new *Constellation*-class frigates, Osborne comes across as far more modern and far less likely to experience delays. Osborne Naval Shipyard is equipped to deal with expensive labor costs in a way that Marinette is not, as it is among the most automated shipyards in the world. In Marinette, the overwhelming majority of the welding is done by hand, whereas Osborne uses automated welding for the majority of its work.

**Underfunding of Submarines in the U.S. Threatens AUKUS.** In the U.S., AUKUS has bipartisan widespread support, and it is difficult to find dissenting opinions. One very legitimate concern from the American side has been raised primarily by Marathon Institute founder and former Trump Administration official Elbridge Colby, who has argued that although it is desirable and unambiguously beneficial from the American perspective for Australia to purchase *Virginia*-class submarines, Washington may not be

able to deliver on these sales if *Virginia*-class submarine construction is cut or significantly delayed this decade, as this could incur dangerous risk to U.S. undersea forces' ability to help to deter or defeat China, if necessary.<sup>26</sup> As Australian defense expert Justin Burke has noted, the ability of the new maintenance facilities at HMAS Stirling to help clear the maintenance backlog on *Virginia*-class submarines at U.S. shipyards could go a long way toward alleviating this concern.<sup>27</sup> Nonetheless, it is incumbent upon American policymakers to maintain submarine production at two per year, with the eventual goal of reaching three per year.

The maintenance backlog and shipbuilding delays are causing some American lawmakers to question the viability of the current long-term shipbuilding plan of the U.S. Navy. The House Appropriations Committee, in particular, has raised concerns about the delays and cost overruns facing the U.S. Navy and is moving to cut ship orders as a result.<sup>28</sup> The added maintenance facilities in Australia will be crucial to mitigating these challenges but will not be sufficient to completely fix the problem. The United States will need to build additional infrastructure at its current shipyards and open new shipyards if it is to clear the backlog and meet the submarine procurement goals of the shipbuilding plan. In the meantime, cutting submarine options is not the solution, as it would send a dangerous and negative long-term demand signal to shipbuilders and potentially set a precedent for Congress to move to a one-submarine-per-year construct.<sup>29</sup>

**Delays in Britain.** Much of the most critical work in AUKUS is a partnership between the United States and Australia, but the third signatory to the treaty, the United Kingdom, is responsible for one aspect that is critical from the Australian perspective—the design and related assistance for the future SSN-AUKUS to be built in Australia. This is separate from the Australian purchase of *Virginia*-class submarines from the United States, and the intent is to enable Australia to domestically produce nuclear-powered submarines on its own. The British Royal Navy, however, has been facing submarine maintenance and operational problems far worse than any faced by the United States, and has recently struggled to keep even one of its six commissioned attack submarines at sea.<sup>30</sup> Financially, the British government may struggle to deliver the design and technical assistance on time. Politically, the decision by the Starmer government to transfer sovereignty of the Chagos Islands, with key military facilities at Diego Garcia, to Mauritius puts in doubt long-term British presence and interest in the Indo-Pacific and commitment to deterring Chinese hegemony in the region.<sup>31</sup> There are thus major concerns as to the viability and timeliness of this aspect of Australia's defense plans.

**Dissenting Voices in Australia.** In Australia, AUKUS enjoys widespread support. Both major political parties are strongly supportive of the agreement, and public opinion is supportive as well. Some dissenting voices have raised concerns (some legitimate, some not) about the viability and desirability of the agreement. These dissenting voices are a minority and strong bipartisan support for AUKUS exists in both the United States and Australia.

Some dissenters in Australia fear that AUKUS will make Australia too reliant on the United States for its security, and potentially entangle Australia in a conflict against China that it might otherwise have avoided. The argument essentially posits that AUKUS commits Australia to fight China because America expects it to and would cancel aspects of the AUKUS agreement if Australia did not.<sup>32</sup> The first and most obvious response is that Australia is a sovereign country with independent decision-making, and that decisions over war and peace are not part of the AUKUS deal, as Australian Defense Minister Richard Marles has stated. Additionally, American policymakers also do not want a war with China. The intent behind AUKUS (and other defense partnerships in the region) is to strengthen America's regional allies and partners in order to enhance deterrence against China, complicate its military planning, and lead Beijing to conclude that China should not use military force to settle disputes in the region. From the American perspective, the more capable Australia, India, and Japan are, the less likely a conflict in the region.

Another common criticism is that the focus on acquiring nuclear-powered submarines is misplaced and that it would make more sense from a budget perspective for Australia to buy other, cheaper weapons systems, including diesel submarines. However, nuclear submarines are one of the most important advantages that the U.S. Navy has over the People's Liberation Army Navy. China has closed the capability gap with the U.S. and its allies in many ways, but not in submarine technology. Conventionally powered submarines need to come up to the shallows to recharge batteries after sprinting away from an attack, a liability that renders them vulnerable to detection. Nuclear-powered submarines, on the other hand, can remain underwater for much longer periods of time. *Virginia*-class nuclear submarines also have greater electrical capacity for more advanced sonar and tactical systems, and more space for more weapons. *Collins*-class submarines can carry around 20 torpedoes or 40 mines, while *Virginia*-class submarines match this and also carry 12 vertical launch tubes for cruise missiles.<sup>33</sup>

Some opponents of AUKUS have even claimed that the AUKUS agreement encourages nuclear proliferation as it provides nuclear material to Australia for the energy needs of its new *Virginia*-class submarines.<sup>34</sup> This

argument, while noting that the Nuclear Non-Proliferation Treaty (NPT) does not prohibit non-nuclear-weapon states from building or operating nuclear-powered ships (as the proponents of this argument admit), and also that Australia is a responsible, U.S.-allied state that has no intention of developing nuclear weapons (and would not be able to use the fuel for the *Virginia*-class submarines, anyway), and is therefore not a proliferation concern, is nevertheless bad because AUKUS could “create a new double standard—or, at least, severely exacerbate an existing one—that a would-be proliferator could exploit to build nuclear weapons.”<sup>35</sup> Because AUKUS would allow Australia to withdraw nuclear material from International Atomic Energy Agency (IAEA) inspection, due to naval reactors not being subject to IAEA inspection, some detractors believe would-be proliferators would use AUKUS as a “precedent” for precluding IAEA inspectors on nuclear material that could be diverted to a nuclear weapons program and undermine support for the NPT more broadly. This is an assumption built upon supposition built upon speculation.

Indeed, while the naval reactor “loophole” for IAEA inspectors has been around for some time, there has not been a single instance of a would-be proliferator acquiring nuclear weapons through such a loophole. And the military benefits of AUKUS—outlined above—far outweigh the potential downside associated with a potential precedent associated with a “loophole” that has existed for decades.

## Recommendations for U.S. Policymakers

In order to strengthen the U.S.–Australian alliance—vital to maintaining peace in the Indo–Pacific—federal policymakers should:

- **Support AUKUS.** The most significant short-term goal is the stationing and maintenance of U.S. *Virginia*-class submarines at HMAS Stirling in Western Australia. Long term, Australia’s acquisition of *Virginia*-class nuclear submarines will complicate Chinese military planning and frustrate the ability of the People’s Liberation Army Navy to operate in the waters to the north of Australia.
- **Increase funding in spending plan.** The biggest potential obstacle to the full realization of AUKUS and the transformation of the Australian military from the Australian side would be a failure of the Australian government to fund the ADF sufficiently to achieve the ambitious goals laid out in the strategy. Good strategies only work

when aligned with budgets, and the potential threats to the stability of the Indo–Pacific are too immediate for any delays. The biggest increases in spending are planned for later this decade, starting in America’s fiscal year (FY) 2027. The strategic situation is indeed as dire as Australia’s National Defense Strategy says it is, and more spending now is warranted in the short term. Australia should, at minimum, not fall below the current spending plan and prepare itself to deliver on both the significant investments of the next two years and the very impressive investments beginning in FY 2027.

- **Continue to order *Virginia*-class submarines.** The biggest potential obstacle to the full realization of AUKUS from the American side is insufficient U.S. orders of *Virginia*-class submarines leading to an American decision that the sale of *Virginia*-class submarines to Australia is no longer strategically desirable given insufficient submarine numbers in its own fleet. The U.S. Navy needs *Virginia*-class submarines, and Congress needs to be ordering at least two submarines a year, with a goal of transitioning to three a year. The Navy, Congress, and the American shipbuilding industry need to work seriously on reforms and investments to expand shipyard capacity, reduce delays and cost overruns, and maintain confidence in the acquisition process.
- **Expand and ease base access.** While Australia already offers significant basing access to the U.S. military, expanding ease of access in the short term would be a significant (and inexpensive) way for Australia to further expand U.S. military commitment to both Australia and the region as a whole.
- **Ramp up munitions production.** Most of the major platforms Australia is investing in will not be available until the 2030s. In the meantime, Australia will have a gap in its ability to implement its strategy of denial, especially vis-à-vis China’s expanding intermediate and long-range missile arsenal. The most important short-term aspect of defense industrial cooperation will be the co-production of the Precision-Guided Strike Missile (PrSM) and the Guided Multiple-Launch Rocket Systems (GMLRS). Sufficient quantities of these on existing weapons systems in the Australian arsenal will be critical for maintaining deterrence before the new systems are deployed.

- **Use Australia as a regional template.** As part of AUKUS, Australia has had to implement a number of reforms so that the United States could loosen International Traffic in Arms Regulations (ITAR) restrictions when transferring weapons and technology to Australia. The United States has other close allies and partners in the region that would benefit from expanded purchases of U.S. military systems and expanded sharing of U.S. military technology. The United States should consider loosening ITAR restrictions on Japan as well, having evaluated the positive effects the loosening of restrictions has on Australia's defense capabilities. Japan and other U.S. allies in the Indo-Pacific should look to Australia for inspiration when implementing reforms that would ease the ITAR process.
- **Prioritize the Indo-Pacific.** The United States will need to avoid strategic distraction in secondary theaters if it is to successfully deter China in the Indo-Pacific. Since the end of the Cold War, the United States has not prioritized great power competition, and instead has engaged in nation-building and counterinsurgency across the Middle East, with disastrous consequences. The People's Republic of China poses a challenge to the United States far greater than Russia or Iran, and even greater than the challenge posed by the Soviet Union during the Cold War. Since the 1990s, defense spending as a percentage of gross domestic product has been less than half what it was for most of the Cold War, even as U.S. security challenges have increased. Given the scarcity of resources and the magnitude of the challenge, American policymakers will need to think strategically and in terms of American national interest and not allow American military resources to be expended in secondary theaters.

## Conclusion

The deepening of the U.S.–Australian alliance through AUKUS is a net gain for both countries and for Indo-Pacific security. If Australia sticks to its new defense strategy and funds it sufficiently, the Australian Defense Force will be transformed by 2034 into a force far more fit to fight in the Indo-Pacific and geared specifically toward a strategy of denial in the region. The United States, in turn, must prioritize resources and forces for the Indo-Pacific and increase investments in its own defense industrial base, especially the submarine industrial base, in order to meet its AUKUS commitments and increase its presence in the region. In concert with other

allies and partners in the region, the U.S.–Australian alliance will be pivotal to establishing credible deterrence and maintaining a free and open Indo–Pacific.

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