



Competitive Pluralization and Australia

AUKUS and Economic Security

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Chapter 5

AUKUS leaders meeting at Naval Base Point
Loma in San Diego, California, March 13, 2023
(Photo: Adam Schultz/White House/Planet Pix
via ZUMA Press Wire/Kyodo News Images)

The Indo-Pacific at a Crossroads

Abstract

This chapter examines Australia's response to "competitive pluralization" through two cases: AUKUS in the military domain and economic security policies in the economic domain. Under AUKUS, Australia, the United Kingdom and the United States are advancing integration of the defense industrial base in the fields of nuclear-powered submarines and emerging technology cooperation. Nevertheless, challenges persist, including export controls and constraints on Australian autonomy. In economic security, Australia is pursuing trade diversification, supply chain resilience, and the protection of domestic industries and critical technologies. Yet, it faces a difficult dilemma posed by shortages of capital and labor, persistent dependence on China in trade and the clean energy transition, and pressure from the Trump administration's tariff regime and China policy. Australia is likely to expand cooperation with partners including Japan, while maintaining the U.S.-Australia alliance and AUKUS, with the aim of ensuring strategic latitude amid deepening dependence on both the United States and China.

Introduction

This chapter analyzes Australia's response to the "pluralizing" interstate competition. Located "Down Under," in the far reaches of the Southern Hemisphere and surrounded by ocean on all sides, Australia long enjoyed insulation from direct foreign threats after the Second World War. In recent years, however, China's rise and its expanding influence in the South China Sea and South Pacific have prompted rapid calls within Australia to strengthen defense capabilities with the Chinese threat in mind. As a close ally of the United States, Australia must also inevitably contend with the consequences of U.S.-China rivalry. Under these circumstances, Australia has increasingly played the part of a "participant" in the interstate competition in the Indo-Pacific, including the establishment of a trilateral security framework with the United States and the United Kingdom (AUKUS) and the pursuit of economic security policies.

To recap, the volume's central concept, "competitive pluralization," can be disaggregated into three dimensions: the domains of competition, the means of competition, and partnerships. In addition to the military and ideological competition that defined the U.S.-Soviet rivalry of the Cold War, recent years have seen intensifying competition in non-military domains such as economic security and energy security, with diverse actors engaged in varied forms of competition across each domain. As the use of economic interdependence as a means of applying political and diplomatic pressure on other states, that is, "the weaponization of interdependence," becomes increasingly common, it has become an urgent priority for governments to build economic relationships that are not dependent on any single country. In the military domain as well, new domains such as cyber and space are growing in importance. Accordingly, many countries have recognized the need not only to secure an advantage in individual domains, but also to strengthen integrated capabilities that span multiple domains.

Alongside this pluralization of the domains of competition, the means of shaping competition have also pluralized. In the military domain, particularly since Russia's 2014 invasion of Crimea, attention has shifted from conventional kinetic capabilities involving physical destruction to non-kinetic means such as cyber, information warfare, and cognitive warfare, as well as to "hybrid warfare" involving a combination thereof. The development of emerging technologies such as artificial intelligence (AI) and quantum technology is accelerating this pluralization of means in new domains. In relation to economic security as well, the pursuit of state

objectives through economic instruments, known as “economic statecraft,” together with countermeasures such as greater resilience and diversification of trade and supply chains, has become more important than ever as a means of prevailing in interstate competition.

No country can prevail in competitive pluralization on its own; cooperation with “like-minded partners” is indispensable. Cold War Asia was structured around a U.S.-centered “hub-and-spokes” system of mutually exclusive bilateral alliances, presumably because the domains of competition were limited in their scope and largely confined to the military sphere. As interstate competition has pluralized across both domains and means, however, cooperation with countries with comparative advantages in particular domains has developed in increasingly layered ways. So-called “minilateral” cooperation, that is, small-scale, function-specific multilateral cooperation, is one prominent example.¹ Besides traditional alliance cooperation, states are pluralizing their security partnerships through such minilateral arrangements and through cooperation with countries other than the United States.

How, then, is Australia responding to competitive pluralization in this sense? This chapter examines two cases: AUKUS as a response to pluralization in the military domain, and Australia’s economic security policies as a response to pluralization in the economic domain. AUKUS is one of the region’s most prominent examples of minilateral cooperation. Cooperation under AUKUS spans wide-ranging fields such as nuclear-powered submarines and emerging technology capabilities, making it an ideal case for examining competitive pluralization. Australia’s economic security policies have attracted less attention than AUKUS but have assumed growing importance in recent years as a means of countering China’s economic statecraft, including economic coercion.

The chapter is structured as follows. Section 1 examines the current state of AUKUS and future prospects. It shows that while AUKUS, which seeks to integrate the defense industrial base, has achieved important results, it also faces numerous challenges. Section 2 discusses the background to the rising prominence of economic security in Australia, along with the policies pursued and the challenges that remain. Building on this analysis, the

1) For minilateral cooperation in the Indo-Pacific, see Satake Tomohiko, “2022 nen wagakuni anzen hoshō no shiza (4): Indo Taiheiyo ni okeru minilateralizumu no taito” [Perspectives on Japan’s Security in 2022 (4): The Rise of Minilateralism in the Indo-Pacific], *NIDS Commentary*, May 31, 2022. For more recent developments, see Oguma Shinya, “Indo Taiheiyo chiiki ni okeru minilateralu kyōryoku no yukue” [The Future of Minilateral Cooperation in the Indo-Pacific Region], *NIDS Commentary*, May 20, 2025.

chapter then identifies elements common to AUKUS and economic security policies, and considers the general features, challenges, and future prospects of Australia's response to competitive pluralization.

1. AUKUS²

(1) What Is AUKUS?

AUKUS is an Australia-U.K.-U.S. security cooperation framework that emerged somewhat suddenly in September 2021. It is built around two pillars: a “first pillar” providing for the U.S. and U.K. transfer of nuclear-powered submarines to Australia, and a “second pillar” focused on emerging technologies including AI, quantum technologies, and cyber capabilities. With respect to the first pillar, an “Optimal Pathway” for delivering nuclear-powered submarines to Australia and for their domestic construction has been announced, and preparations are under way. As for the second pillar, cooperation is advancing in each subfield, and the three countries have taken concrete steps toward the operationalization of new technologies, including conducting trial demonstrations of unmanned underwater vehicles.³

The factors that drove AUKUS's creation included not only China's rapid naval buildup but also its rapidly advancing capabilities in emerging technology fields. A study by the Australian Strategic Policy Institute analyzing private-sector research in emerging technologies worldwide found that Chinese firms hold the lead in 37 of 44 fields and that the world's top 10 research institutions are all based in China. The study further found that nearly half of the most influential papers published over the past five years were authored by Chinese researchers.⁴ Against this backdrop, a central mission of the second pillar is for Australia, the United Kingdom, and the United States to recover their competitive advantage over China through

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- 2) Portions of this section draw on Satake Tomohiko, “AUKUS ni miru kokubo sangyo kiban togo no kanosei to genkai” [The Possibilities and Limits of Defense Industrial Base Integration as Seen in AUKUS], a paper presented at the Japan Association of International Relations 2025 Annual Convention, Panel A-5 “International Integration,” October 17, 2025.
 - 3) [Australia] Department of Defence, “AUKUS Defence Ministers’ Joint Statement,” April 9, 2024 <https://www.minister.defence.gov.au/statements/2024-04-09/aukus-defence-ministers-joint-statement>.
 - 4) Jamie Gaida et al., “ASPI’s Critical Technology Tracker: The Global Race for Future Power,” Australian Strategic Policy Institute, March 1, 2023 <https://www.aspi.org.au/report/critical-technology-tracker>.

joint technology development and innovation across diverse fields.

This cooperation is reflective of a relationship shaped by shared membership in the Five Eyes, an Anglophone intelligence partnership, and historical and cultural affinities. Apart from the United States and China, advanced capabilities in emerging technologies are concentrated in a handful of European countries, Singapore, and the Republic of Korea.⁵ If the goal were merely to advance technological cooperation, there would be no inherent need for Australia, the United Kingdom, and the United States to create this exclusive framework. The reason these three countries opted to establish a “second pillar” is that AUKUS extends beyond mere submarine transfers and joint emerging-technology development to encompass the integration of the defense industrial base.

The integration of the defense industrial base has not been firmly defined. For the purposes of this chapter, it can be tentatively understood as the unification of the institutional, market, and research environments around the three countries’ defense industries.⁶ On the institutional side, for example, the three countries are working to mutually relax export controls and create a “license-free” environment in which using one another’s technology no longer requires case-by-case authorization. As discussed below, the regulatory reforms of 2024 substantially eliminated the requirement to obtain export permits among the three countries. The trilateral agreement on submarine cooperation likewise sets out common standards for the protection of classified information and intellectual property rights, advancing the unification of rules and operational standards.⁷

Market integration encompasses procurement, contracting frameworks, and the unification of interoperable supply chains. With respect to supply chains in particular, efforts are under way to enable Australian firms to participate in U.S. and U.K. defense supply chains, including those for nuclear-powered submarines. In addition to acquiring its own submarines,

5) See, for example, *Global Innovation Index 2025: Innovation at a Crossroads*, World Intellectual Property Organization, 2025.

6) On integration of the defense industrial base, see, for example, Ondrej Ditrych and Tomas Kucera, “Defence Cooperation and Change: How Defence Industry Integration Fostered Development of the European Security Community,” *Cooperation and Conflict* 58, no. 1 (2023): 129–152; Keith Hartley, “European Defence Policy: Prospects and Challenges,” *Defence and Peace Economics* 35, no. 4 (2024): 504–515.

7) [Australia] Parliament, Joint Standing Committee on Treaties, “Agreement among the Government of Australia, the Government of the United Kingdom of Great Britain and Northern Ireland, and the Government of the United States of America for Cooperation Related to Naval Nuclear Propulsion [Treaty],” August 12, 2024.

Australia is undertaking major upgrades at the Henderson shipyard in Western Australia in anticipation of maintaining and inspecting U.S. and U.K. submarines that will rotate through Australia from 2027. Once completed, the upgrades are expected to strengthen local supply chains in Australia and substantially reduce transport and logistics costs.⁸

Integration of the research environment encompasses joint laboratories, pooled funding, and the exchange of research personnel. On this front, researchers from seven universities across the United States, the United Kingdom, and Australia have formed the Digital Disruption Defence Research Consortium, which conducts research on technological innovations supporting AUKUS activities and assesses their implications.⁹ A RAND Corporation report has likewise recommended that the three countries pool funding to establish a joint research and development center for data sharing and joint development.¹⁰

These cooperative efforts are, of course, currently conducted within the bounds of each country's domestic legal frameworks and therefore fall short of full "integration" in any complete sense. Joint development and joint research on individual projects have long taken place among Australia, the United Kingdom, and the United States. What is distinctive about AUKUS is its aspiration to conduct industrial cooperation not on an ad hoc, project-by-project basis but on a sustained basis through the unification of institutions, markets, and research and development, and, in so doing, build an "ecosystem" for the development, production, and sustainment of military technology and capabilities among the three countries. This is a level of cooperation that even EU member states, which have pursued defense industrial integration for decades, have yet to achieve, and herein lies AUKUS's novelty and distinctiveness.¹¹

8) [Australia] Department of Defence, "Henderson Defence Precinct," n.d. <https://www.defence.gov.au/business-industry/industry-capability-programs/continuous-naval-shipbuilding-sustainment-enterprise/henderson-defence-precinct>.

9) Crispin Savage, "South Australian Researchers Join Forces with Global Defence Consortium," University of Adelaide Newsroom, October 25, 2023 https://www.adelaide.edu.au/newsroom/news/list/2023/10/24/south-australian-researchers-join-forces-with-global-defence-consortium?utm_source=chatgpt.com.

10) Austin Wyatt et al., *Towards AUKUS Collaboration on Responsible Military Artificial Intelligence: Co-Design and Co-Development of AI Among the United States, the UK and Australia* (Santa Monica, CA: RAND Corporation, 2024).

11) On EU efforts toward integration in the defense sector, see Jorge Silva Paulo, "The European Defense Sector and EU Integration," *Connections* 8, no. 1 (2008): 11–57. For recent developments, see Sebastian Clapp, "European Defence Industrial Strategy," Briefing, European Parliament Research Service, September 2024.

(2) Progress under AUKUS

Since the announcement of the “Optimal Pathway” for transferring nuclear-powered submarines to Australia in March 2023, the three countries have made steady preparations, including training and study programs for Australian military and industry personnel at U.S. and U.K. training facilities and at shipyards and nuclear-related sites.¹² Looking ahead to the 2027 rotational deployment of U.S. and U.K. submarines to Australia, the three countries are also working toward joint operations of nuclear-powered submarines, including joint maintenance by Australian, U.K., and U.S. personnel.¹³ Australia has further committed up to USD 3 billion in investment to strengthen the U.S. submarine industrial base, of which USD 1.6 billion has already been transferred to the U.S. side.¹⁴

The second pillar has likewise registered measurable progress in advancing and scaling up maritime autonomous systems, demonstrating and fielding common advanced AI algorithms, and integrating capabilities for launching and recovering underwater vehicles from submarine torpedo tubes. The trilateral exercise “Maritime Big Play,” held in Australia in October 2024, included demonstrations of joint operations of unmanned and autonomous systems in surface and undersea domains, sharing and processing of maritime data, and real-time maritime domain awareness, with Japan participating as an observer (and as a formal participant from 2025).¹⁵ The three countries are also cooperating on the accelerated development of quantum and AI technologies, space-based radar capabilities, cyber capabilities, and long-range precision strikes, including hypersonic missiles.¹⁶

Perhaps the most significant progress in the integration of the defense

12) [Australia] Department of Defence, “AUKUS Defense Ministers Meeting Joint Statement,” December 2, 2023 <https://www.minister.defence.gov.au/statements/2023-12-02/aukus-defense-ministers-meeting-joint-statement>.

13) [U.S.] Department of Defense, “AUKUS Defence Ministers’ Meeting Communique,” September 26, 2024 <https://www.defense.gov/News/Releases/Release/Article/3918402/aukus-defence-ministers-meeting-communique/>.

14) Ben Doherty, “Australia Pays US Another \$800m for AUKUS amid Trump Administration Review of Security Pact,” *Guardian*, July 23, 2025 <https://www.theguardian.com/world/2025/jul/23/australia-payment-us-aukus-trump-administration-review>.

15) [U.S.] Department of Defense, “‘Maritime Big Play’ in Pacific Demonstrates AUKUS Partner Compatibility,” October 24, 2024 <https://www.war.gov/News/News-Stories/Article/Article/3945520/maritime-big-play-in-pacific-demonstrates-aukus-partner-compatibility/>.

16) [Australia] Department of Defence, “Accelerated Delivery of AUKUS Pillar II Hypersonic Systems,” November 19, 2024 <https://www.defence.gov.au/news-events/releases/2024-11-19/accelerateddelivery-aukus-pillar-ii-hypersonic-systems>.

industrial base has been the relaxation of U.S. export controls. Strict U.S. export controls in the defense field, particularly the International Traffic in Arms Regulations (ITAR), have long posed major obstacles to defense technology cooperation between the United States and its allies dating back to the Cold War. Australia and the United Kingdom in particular have pressed for ITAR exemptions and the facilitation of U.S. technology transfer through their 2007 bilateral defense trade treaties with the United States and through their inclusion in the U.S. National Technology and Industrial Base (NTIB) in 2016. Despite this, bureaucratic inertia in the United States, combined with domestic conservative resistance to easing export controls, meant that liberalization had not progressed as the allies had hoped.¹⁷

Against this background, the U.S. Fiscal Year 2024 National Defense Authorization Act (NDAA) granted Australia and the United Kingdom conditional ITAR license exemptions. As a result, in August 2024, the U.S. Department of State amended ITAR to ease export control requirements for defense-related products to Australia and the United Kingdom beginning the following month.¹⁸ Earlier, in April 2024, the Bureau of Industry and Security of the Department of Commerce, which administers export controls on dual-use items, had also significantly relaxed licensing requirements for Australia and the United Kingdom.¹⁹ At long last, Australia and the United Kingdom would be subject to similar treatment to that afforded to Canada. In May 2024, as part of efforts to create a license-free environment among the three countries, Australia's Department of Defence announced the elimination of export permit requirements for roughly 900 cases per year (valued at approximately AUD 5 billion) for Australian exports to the United States and United Kingdom, and for roughly 200 cases per year (valued at over AUD 129 million) for U.K. defense exports to Australia.²⁰

17) Tom Corben and William Greenwalt, "Breaking the Barriers: Reforming US Export Controls to Realise the Potential of AUKUS," United States Studies Centre, May 17, 2023 <https://www.usssc.edu.au/breaking-the-barriers-reforming-us-export-controls-to-realise-the-potential-of-aukus>.

18) [U.S.] Department of State, "International Traffic in Arms Regulations: Exemption for Defense Trade and Cooperation Among Australia, the United Kingdom, and the United States," *Federal Register* 89, no. 161, August 20, 2024.

19) [U.S.] Department of Commerce, "Export Control Revisions for Australia, United Kingdom, United States (AUKUS) Enhanced Trilateral Security Partnership," *Federal Register* 89, no. 77, April 2024.

20) [Australia] Department of Defence, "AUKUS Countries Export Licence-Free Environment Takes Flight," May 1, 2024 <https://www.defence.gov.au/news-events/releases/2024-05-01/aukus-countries-export-licence-free-environment-takes-flight>.

The announcement also confirmed that, following the aforementioned NDAA amendment, license-free trade had become possible for over 70% of ITAR-controlled defense exports from the United States to Australia, and for over 80% of defense transactions covered by the Export Administration Regulations.²¹

The United Kingdom and Australia have also revised their domestic legislation in step with these U.S. measures. In August 2024, the United Kingdom formally issued the Open General Licence (AUKUS Nations), easing licensing requirements for the export and transfer of technology, equipment, and defense services to Australia and the United States.²² As a result, defense exports of up to approximately GBP 500 million annually no longer require licenses.²³ Australia, for its part, brought its amended Defence Trade Controls Act into force in September 2024, exempting most military goods, dual-use items, and technologies transferred among Australia, the United Kingdom, and the United States from the requirement to obtain export permits, subject to certain conditions.

In sum, since 2023, AUKUS has made significant progress in relation to both the first and second pillars. Beyond strengthening the three countries' capabilities, AUKUS has promoted the easing of regulations and domestic legal reforms, thereby facilitating smoother defense industrial cooperation and integration. The ITAR exemptions, long sought after by Australia and the United Kingdom, are arguably the most significant achievement under AUKUS for the two countries to date. With these reforms, AUKUS has moved one step closer to the establishment of a "defense free trade zone" among the three countries.

(3) Challenges and Future Prospects for AUKUS

Despite this substantial progress in the integration of the defense industrial base and AUKUS more broadly, many challenges remain. With respect to the first pillar, these include developing the engineers and skilled workforce required for submarine construction and maintenance in Australia, addressing rising costs, and, above all, strengthening U.S. submarine

21) Ibid.

22) [U.K.] Government, "Open General Licence (AUKUS Nations)," August 16, 2024 <https://www.gov.uk/government/publications/open-general-licence-aukus-nations>.

23) [U.K.] Government, "Historic Breakthrough in Defence Trade between AUKUS Partners," August 15, 2024 https://www.gov.uk/government/news/historic-breakthrough-in-defence-trade-between-aukus-partners?utm_source=chatgpt.com.

production capacity.²⁴ Critics hoping to see short-term results have pointed to underfunding and a lack of concrete deliverables in the second pillar.²⁵ As noted above, while progress is being made on concrete collaborative projects in several advanced technology fields, none has yet reached the operational stage. Some experts have proposed narrowing the second pillar's focus to three areas: autonomous weapons, long-range strikes, and integrated air defense.²⁶

Issues related to export controls also remain a core AUKUS challenge. As noted above, while approximately 70% of U.S. exports have been exempted from ITAR in support of a license-free environment, the remaining 30% fall on the Excluded Technologies List (ETL) and are not eligible for ITAR exemption. The ETL reportedly includes items essential to the development of advanced capabilities under the second pillar, including AI, quantum technology, and missile-related technology, as well as submarine technology, which therefore continues to impose serious constraints on the three countries' joint development plans.²⁷

One reason that fundamental ITAR reform has not advanced is what has been described as a U.S. "superpower mindset," whereby the transfer of technology is seen as occurring one-way—from the United States, not to it.²⁸ ITAR rests on the premise that the United States holds an absolute advantage across all fields of military technology. During the Cold War in particular, U.S. allies were viewed as being unable to prevent the illicit transfer of technologies to the Soviet Union and as failing to halt the proliferation of nuclear, chemical, and other advanced conventional weapons.²⁹ In this context, the notion that allies might possess technology superior to that of

24) Satake Tomohiko, "'Moroha no tsurugi' to shite no AUKUS: Goshu no genshiryoku sensuikan shutoku ni muketa kadai (zenpen, kohen)" [AUKUS as a "Double-Edged Sword": Challenges Facing Australia's Nuclear Submarine Acquisition (parts 1 and 2)], *International Information Network Analysis*, March 14, 2024.

25) Peter Dean and Alice Nason, "AUKUS Pillar II Is Failing in Its Mission," *War on the Rocks*, June 2, 2025 <https://warontherocks.com/2025/06/aukus-pillar-ii-is-failing-in-its-mission-it-needs-its-own-optimal-pathway/>.

26) Abraham M. Denmark and Charles Edel, "The AUKUS Inflection: Seizing the Opportunity to Deliver Deterrence," Center for Strategic and International Studies, August 25, 2025 <https://www.csis.org/analysis/aukus-inflection-seizing-opportunity-deliver-deterrence>.

27) William Greenwalt and Tom Corben, "AUKUS Enablers? Assessing Defence Trade Control Reforms in Australia and the United States," United States Studies Centre, August 21, 2024 <https://www.usc.edu.au/aukus-assessing-defence-trade-control-reforms-in-australia-and-the-united-states>.

28) Ibid.

29) Corben and Greenwalt, "Breaking the Barriers."

the United States, and that cooperation might therefore serve U.S. interests, simply did not exist.³⁰

Some allied voices argue that changing this American “superpower mindset” is the key to fundamental ITAR reform.³¹ On the other hand, the United States continues to lead the world in many advanced military technology fields, and the gap with Australia in particular remains stark in terms of defense industrial scale and research and development spending. According to the Australian Bureau of Statistics, the gross value added of Australia’s defense industry in fiscal year 2023–2024 was AUD 1.19 billion, or approximately 0.47% of the Australian economy as a whole.³² U.S. research and development expenditure for fiscal year 2024 was approximately USD 194.6 billion, whereas Australia’s was approximately USD 9.7 billion, roughly one-twentieth of the U.S. figure.³³ Despite some genuinely impressive Australian technologies in areas such as AI, the overall U.S.-Australia technology gap is unmistakable.

From the U.S. perspective, the purpose of NTIB and AUKUS alike is to secure U.S. military technological superiority; technology transfer to allies is a secondary concern. From this standpoint, U.S. caution about easing export controls is unsurprising in the absence of comparable or commensurate technological benefits from allies. The June 2025 announcement by the U.S. Department of Defense (now the Department of War) of an AUKUS “review” reflected precisely these concerns. Under Secretary of Defense Elbridge Colby, who led the review, had voiced support for AUKUS’s importance before joining the administration but had also insisted on prioritizing the U.S. submarine production line above all.³⁴ In July, it was reported that Under Secretary Colby demanded that Australia and Japan

30) Tsuruoka Michito, “AUKUS ga ‘famiri bijinesu’ de aru riyu” [Why AUKUS is a “family business”], *Foresight*, May 30, 2024 <https://www.fsight.jp/articles/-/50620>.

31) Corben and Greenwalt, “Breaking the Barriers.”

32) [Australia] Bureau of Statistics, “Australian Defence Industry Grows by 12.4%,” April 16, 2025 <https://www.abs.gov.au/media-centre/media-releases/australian-defence-industry-grows-124>.

33) [Australia] Department of Industry, Science and Resources, “What Can the 2025-26 SRI Budget Tables Tell Us about Australian Government Investments in Science, Research and Innovation?” August 15, 2025 <https://www.industry.gov.au/news/what-can-2025-26-sri-budget-tables-tell-us-about-australian-government-investments-science-research-and-innovation>.

34) Adam Creighton, “Donald Trump’s Top Defence Advisers Warn against Selling Nuclear Subs to Australia,” *Weekend Australian*, January 1, 2024 <https://www.theaustralian.com.au/nation/one-of-donald-trumps-top-defence-advisers-warns-against-selling-nuclear-subs-to-australia/news-story/bbddd3dbbd24264529180a1d290f9c3f>.

make clear what roles they would play in a Taiwan contingency.³⁵

Of course, given the strategic benefits AUKUS offers not only to Australia and the United Kingdom but also to the United States, a U.S. withdrawal from the partnership is highly unlikely.³⁶ At the first in-person U.S.-Australia summit in October 2025, President Trump strongly endorsed AUKUS, suggesting that AUKUS would continue after the review, including the transfer of Virginia-class nuclear-powered submarines.³⁷ In early December, the U.S. Department of War announced that the AUKUS review had concluded and that the results had been delivered to Australia.³⁸ While the review's results were not made public, the subsequent Australia-U.S. Ministerial Consultations confirmed President Trump's stated intent that AUKUS proceed at "full steam ahead."³⁹ AUKUS thus "survived" the Trump administration's review.

This does not mean that the many challenges surrounding AUKUS have been resolved. Strengthening U.S. submarine construction capacity is essential for delivering Virginia-class submarines to Australia in the 2030s, yet despite investment from both the U.S. and Australian governments, no significant improvement has been observed.⁴⁰ The U.S. side will likely continue to press Australia for greater burden-sharing, including additional financing for AUKUS. The U.S. announcement following the June U.S.-Australia summit confirmed that Australia had agreed to strengthen alliance burden-sharing and would make new defense investments to bolster the

35) "US Demands to Know What Allies Would Do in Event of War over Taiwan," *Financial Times*, July 13, 2025 <https://www.ft.com/content/41e272e4-5b25-47ee-807c-2b57c1316fe4>.

36) Satake Tomohiko, "Toranpu seiken ni yoru AUKUS no saikento to sono tenbo" [The Trump Administration's Review of AUKUS and Its Prospects], *International Information Network Analysis*, August 5, 2025.

37) Josh Butler, "Albanese at the White House: Trump Endorses AUKUS, Signs \$8.5 bn Rare-Earths Deal and Calls PM 'Great Leader,'" *Guardian*, October 20, 2025 <https://www.theguardian.com/australia-news/2025/oct/20/albanese-at-the-white-house-trump-endorses-aukus-signs-85bn-rare-earths-deal-and-calls-pm-great-leader>.

38) Moriyasu Ken, "AUKUS Review Concludes, with US Saying 'Full Steam Ahead,'" *Nikkei Asia*, December 5, 2025.

39) [Australia] Department of Foreign Affairs and Trade, "Joint Fact Sheet on Australia-U.S. Ministerial Consultations (AUSMIN) 2025," December 8, 2025 <https://www.dfat.gov.au/international-relations/joint-fact-sheet-australia-us-ministerial-consultations-ausmin-2025>.

40) Satake, "Toranpu seiken ni yoru AUKUS no saikento to sono tenbo."

U.S.-Australia alliance.⁴¹ The new National Security Strategy released by the White House in December also calls for Australia, alongside Taiwan, to increase defense spending.⁴²

Over the longer term, even if there is continued progress under AUKUS and deeper integration of the defense industrial base and operations, Australia's autonomy may be increasingly constrained. If, for instance, the "Optimal Pathway" of the first pillar proceeds smoothly, by the mid-2030s, as many as 440 Australians are expected to be embarked on 25 U.S. attack submarines (SSNs), constituting fully 12% of total crews.⁴³ When Virginia-class SSNs are transferred to Australia, those submarines may also assume intelligence-gathering and other roles previously performed by U.S. SSNs.⁴⁴ In such circumstances, it would be effectively impossible for Australian forces to independently disengage in the event of a U.S.-China contingency. Whatever Australia may feel about this point, AUKUS will continue to integrate it further into U.S. military operational planning.

This poses no significant problem so long as U.S. and Australian strategic objectives are aligned and the United States remains a reliable ally, as has been the case to date. Still, under "America First," even alliance policy and China policy may be subject to "deal-making."⁴⁵ Australia can no longer rely on the alliance with absolute certainty, as it once did. There is also a non-trivial possibility that domestic political turmoil in the United States could disrupt aid or supply chains to Australia, or that agreements could be abruptly abandoned at the president's discretion. In such an event, it is Australia, not the United States, that would suffer the most. AUKUS does indeed hold promise as a potential "game changer" in competition with China, but for Australia, it is also a "double-edged sword" carrying considerable risk.

41) [U.S.] White House, "Fact Sheet: President Donald J. Trump Closes Billion-Dollar Deals with Australia," October 20, 2025 <https://www.whitehouse.gov/fact-sheets/2025/10/fact-sheet-president-donald-j-trump-closes-billion-dollar-deals-with-australia/>.

42) [U.S.] White House, *National Security Strategy of the United States of America*, November 2025, 24.

43) Michael Shoebridge, "'Extreme Risk' of AUKUS Deal to US Motivates Colby," *Australian*, July 26, 2025 <https://www.theaustralian.com.au/commentary/extreme-risk-of-aucus-deal-to-usmotivates-colby/news-story/1b73e1e4df4e223bfa8b30ea9dd3d4d>.

44) Mike Keating and Jon Stanford, "Ditch AUKUS Pillar One. It Involves Australia Too Much in US Strategy," *Strategist*, August 22, 2025 <https://www.aspistrategist.org.au/ditch-aucus-pillar-oneit-involves-australia-too-much-in-us-strategy/>.

45) Mori Satoru, "Dai-niji Toranpu seiken no anzen hoshō seisaku no inpurikeshon (1)" [Implications of the Second Trump Administration's Security Policy (1)], *Research Report*, Japan Institute of International Affairs, March 31, 2025 <https://www.jiia.or.jp/research-report/security-fy2024-05.html>.

2. Competitive Pluralization in the Economic Domain: Economic Security

(1) Australia and Economic Security

Compared with Japan, Australia's interest in economic security has, until recently, been comparatively limited. Australia has neither legislation analogous to Japan's Economic Security Promotion Act nor a clearly designated lead ministry for economic security (as of October 2025). Australia's business community, which is highly dependent on the Chinese market, has also been described as slow to connect economic risk and geopolitical risk.⁴⁶ Australia has traditionally championed "middle power internationalism," emphasized free trade and the market economy, and sought to uphold the "rules-based order." From this position, the Australian government had long maintained a cautious stance on domestic market intervention and on the exercise of "economic statecraft," that is, the use of economic instruments as a means of security policy or statecraft.⁴⁷

Nevertheless, China's rapid rise underwritten by "state capitalism," its "weaponization of interdependence" to coerce other countries economically, and the intensification of the U.S.-China trade war from the late 2010s have forced Australia to recognize the linkage between economics and security. The spread of COVID-19 in the early 2020s and China's subsequent economic coercion of Australia pushed economic security to the forefront of Australian policy. China responded to the Morrison administration's call for an independent inquiry into the origins of COVID-19 with a rapid succession of economic sanctions, including suspensions of imports from Australia and travel advisories warning Chinese tourists against visiting the country. China also imposed diplomatic measures, including the detention of Australian journalists and the suspension of high-level government visits. Australia pushed back against these measures, and Australian public sentiment toward China fell to its lowest level since the normalization of

46) Hayley Channer and Georgia Edmonstone, "What Does 'Economic Security' Mean to Australia in 2024?" United States Studies Centre, January 30, 2024 <https://www.ussc.edu.au/what-does-economic-security-mean-to-australia-in-2024>.

47) Victor A. Ferguson, Darren J. Lim, and Benjamin Herscovitch, "Between Market and State: The Evolution of Australia's Economic Statecraft," *Pacific Review* 36, no. 5 (2023): 1148–1180 <https://doi.org/10.1080/09512748.2023.2200026>.

diplomatic relations in 1972.⁴⁸

In the end, China's economic coercion did not cause significant damage to the Australian economy. The agricultural, forestry, and livestock products that China halted accounted for only a small percentage of Australia's total exports, and as discussed below, Australia made up much of the lost ground through trade diversification.⁴⁹ Nor was China able to halt imports of iron ore, which constitute the bulk of Australian exports to China. Ultimately, China abandoned this largely ineffective sanctions regime against Australia and moved to repair relations, including economic ones. The downturn in China's real estate market and the broader slowdown in Chinese economic growth likely contributed to this shift. As a result, Australia-China relations were normalized, both politically and economically.

Even so, China's sanctions strongly impressed upon the Australian public not only the risks of dependence on China but also Australia's vulnerability within the open international economic system. With a relatively weak domestic industrial base and a small market, and consequently heavy reliance on resource exports for national revenue, Australia is more exposed than other advanced economies to global economic fluctuations. The high-tariff measures imposed by the second Trump administration also suggested that Australia's pursuit of market principles alone could no longer guarantee its national prosperity and security. As a result, economic security, as a means of navigating great-power rivalry, has rapidly moved up the agenda in Australia as well.

(2) Australia's Economic Security Policies

The first item on the Australian government's economic security agenda is the diversification of regional trade relations.⁵⁰ As noted above, in response to Chinese economic coercion, Australia has sought to diversify its trading relationships across Asia, Europe, and the Middle East to

48) Ryan Neelam, "2025 Report: Relations in the Indo-Pacific," Lowy Institute, June 16, 2025 <https://poll.lowyinstitute.org/report/2025/relations-in-the-indo-pacific/#report>.

49) Satake Tomohiko, "Go-Chu kankei no 'shin-jotai': Kankei kaizen ni muketa ugoki to kongo no mitoshi" [The "New Normal" in Australia-China Relations: Movements Toward Improved Relations and the Outlook Ahead], *CISTEC Journal*, July 2024, 42.

50) [Australia] Department of Foreign Affairs and Trade, "Trading Our Way to Greater Prosperity and Security," (Speech by Don Farrell, Minister for Trade and Tourism), November 14, 2022 <https://www.trademinister.gov.au/minister/don-farrell/speech/trading-our-way-greater-prosperity-and-security>.

reduce dependence on China. This effort yielded comprehensive economic partnership agreements or equivalent arrangements with the United Kingdom in December 2021, with India in April 2022, and with the United Arab Emirates in November 2024. Australia has also accelerated negotiations toward a free trade agreement (FTA) with the European Union. In 2023, Australia published the Southeast Asia Economic Strategy, underscoring Southeast Asia's importance as a target for trade diversification.⁵¹

In particular, the cultivation of new markets has been urgently needed for the agricultural, forestry, and livestock products targeted by China. The Australian government reportedly secured market access for 46 different agricultural and fisheries products in new export markets.⁵² As a result, China's share of Australian exports declined from 42.1% in 2021 to 29.5% in 2022. By contrast, exports to Japan, the Republic of Korea, India, and ASEAN countries rose. Similarly, for Australian coal, where China had been the principal buyer, exports to the EU rose from a 3.0% share to 4.1%.⁵³ During the same period, exports of wheat and cotton to ASEAN countries reached record highs and surpassed exports to China.⁵⁴ Australia was thus able to minimize the disruption caused by China's trade sanctions. (See Figure 1.)

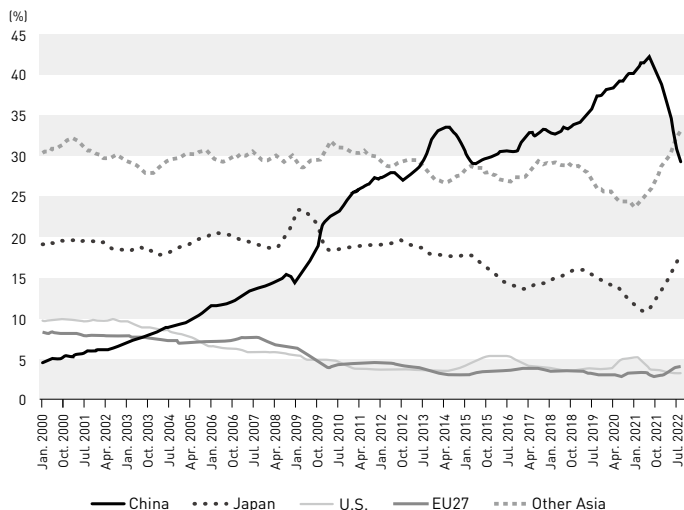
51) [Australia] Department of Foreign Affairs and Trade, *Invested: Australia's Southeast Asia Economic Strategy to 2040*, September 2023 <https://www.dfat.gov.au/sites/default/files/invested-southeast-asia-economic-strategy-2040.pdf>.

52) Ferguson, Lim, and Herscovitch, "Between Market and State."

53) David Uren, "Australia's Trade Diversification Away from China Picks Up Pace," *The Strategist*, October 13, 2022 <https://www.aspistrategist.org.au/australias-trade-diversification-away-fromchina-picks-up-pace/>.

54) [Australia] Department of Agriculture, Water and the Environment, "Agricultural Export Markets Continue to Diversify," August 2022 <https://www.agriculture.gov.au/sites/default/files/documents/august-2022-agricultural-export-markets-continue-diversify.pdf>.

Figure 1. Australia's Export Destinations and Shares (2000–2022)



(Source) David Uren, "Australia's Trade Diversification Away from China Picks Up Pace," *The Strategist*, October 13, 2022 <https://www.aspistrategist.org.au/australias-trade-diversification-away-from-china-picks-up-pace/>.

Second is supply chain resilience. In 2021, the Office of Supply Chain Resilience was established within the Department of Industry, Science and Resources (DISR), undertaking analysis and measures to reduce supply chain risk.⁵⁵ Australia has placed particular emphasis on strengthening supply chains for critical minerals, including the extraction and processing of rare earths, and has provided production tax credits and funding for these purposes.⁵⁶ To meet its target of supplying 82% of electricity from renewables by 2030, the Australian government has also developed a National Renewable Energy Supply Chain Action Plan in coordination with state and territory governments. The government has invested an additional AUD 14.3 million to support this initiative. It is also developing international rules to counter unfair trade practices and negotiating international benchmarks for trade in high-quality critical minerals.⁵⁷

55) [Australia] Department of Industry, Science and Resources, "Office of Supply Chain Resilience," n.d. <https://www.industry.gov.au/trade/office-supply-chain-resilience>.

56) [Australia] Prime Minister, "Investing in a Future Made in Australia," May 14, 2024 <https://www.pm.gov.au/media/investing-future-made-australia>.

57) Ibid.

A strong domestic industry is essential to supply chain resilience. Australia's manufacturing sector had long been in decline owing to the country's export-oriented economy. To rebuild it, in September 2023, the Australian government established the National Reconstruction Fund and announced enhanced investment measures for domestic industries, including the defense industry.⁵⁸ Renewable energy and low-emission technologies, medical science, transport, and defense capabilities were designated as priority areas for focused budget allocation.⁵⁹ In May 2024, the government also announced the Future Made in Australia (FMA) initiative, which involved ramping up efforts to attract and promote investment in domestic industry, add value to natural resources, strengthen economic security, and bolster innovation. In November of the same year, Parliament passed legislation institutionalizing FMA (the FMA Act), enhancing government support under both a "national interest stream" for safeguarding sovereign capability and a "net zero transformation stream" for decarbonization.⁶⁰

As noted above, the transition to net zero and clean energy is an important element in Australia's efforts to enhance economic security and strengthen manufacturing. Australia has prioritized the use of resources such as green metals, hydrogen energy, low-carbon liquid fuels, and solar energy, and is expanding their production and export. Drawing on its abundant and low-cost renewable energy, ready access to capital markets, low country risk, and, above all, its geographic location in the rapidly growing Indo-Pacific region, Australia is developing industries with long-term comparative advantages that will play central roles in domestic and international decarbonization supply chains.⁶¹

Japan is an important partner supporting these Australian efforts. In October 2023, an unprecedented joint meeting was held among the four Japanese and Australian ministers responsible for trade, energy security, energy transition, and addressing climate change. The four ministers

58) Channer and Edmonstone, "What Does 'Economic Security' Mean to Australia in 2024?"

59) [Australia] Department of Finance, "National Reconstruction Fund Corporation," February 13, 2025 <https://www.finance.gov.au/government/specialist-investment-vehicles/national-reconstruction-fund-corporation>.

60) [Australia] Department of Industry, Science and Resources, "Future Made in Australia Legislation Passes the Senate," November 28, 2024 <https://www.minister.industry.gov.au/ministers/husic/media-releases/future-made-australia-legislation-passes-senate>.

61) Steven Kennedy (Secretary to the Treasury), "Address to the United States Studies Centre: Economic Policy in a Changing World," June 19, 2024 <https://www.treasury.gov.au/sites/default/files/2024-06/drkenedy-ussc-545180.pdf>.

agreed to ensure stable energy supply, promote decarbonization and energy transition, and achieve net zero, while addressing common opportunities and challenges. They also confirmed cooperation on building a robust economic architecture, diversifying trade, and strengthening supply chain resilience.⁶² Japan is cooperating with Australia in financial areas as well, through Japan Australia Rare Earths Pty Ltd, which was jointly established in 2011 by the Japan Oil, Gas and Metals National Corporation and Sojitz Corporation and has invested in the Australian rare earths company Lynas.

As part of its economic security agenda, Australia is also advancing the development of emerging technologies such as AI, quantum technology, autonomous systems, and biotechnology. Australia recognizes that the development of advanced technologies and the transition to a digital economy are essential not only for sustained economic growth and the promotion of clean energy but also for strengthening its capabilities and addressing challenges in the security domain, including AUKUS.⁶³ Australia is therefore promoting research and development in partnership with industry and universities, centered on DISR and its Critical Technologies Hub, as well as the Commonwealth Scientific and Industrial Research Organisation (CSIRO), which falls under the DISR umbrella. CSIRO hosts more than 3,000 researchers from Australia and around the world. In the field of emerging technology development, it is regarded as one of the world's leading institutions in robotics and autonomous systems.⁶⁴

In addition, Australia has strengthened efforts to protect critical technologies and critical infrastructure. In November 2023, the Defence Trade Controls Amendment Bill was introduced in Parliament, including measures to enhance the protection of Australia's most advanced military technologies. The bill provides country-based exemptions for the United States and the United Kingdom for trade in defense items and technologies. At the same time, it requires Australian producers of military or dual-use

62) [Japan] Ministry of Economy, Trade and Industry, "Australia-Japan Ministerial Economic Dialogue Joint Ministerial Statement," October 8, 2023 <https://www.meti.go.jp/press/2023/10/20231008001/20231008001-arr.pdf>.

63) [Australia] Department of Industry, Science and Resources, "Critical Technologies Statement," May 19, 2023 <https://www.industry.gov.au/publications/critical-technologies-statement>.

64) [Australia] Department of Industry, Science and Resources, "Australia's Robotics Opportunity," n.d. <https://www.industry.gov.au/publications/national-robotics-strategy/australias-robotics-opportunity#:~:text=CSIRO's%20Robotics%20and%20Autonomous%20Systems,Research%20Projects%20Agency's%20Subterranean%20Challenge%20>.

technologies to seek case-by-case exemptions when employing workers from certain countries, such as China and India. For universities engaged in research with potential military applications, the bill imposes new restrictions on partnering with foreign scientists. It also requires firms to obtain licenses when transferring controlled military or dual-use technologies to countries other than the United States and the United Kingdom.

Australia has also excluded the Chinese telecommunications firm Huawei from its 5G network bidding, removed Chinese-made CCTV cameras from government facilities, and banned the Chinese-developed app TikTok from government devices.⁶⁵ Furthermore, Australia is developing new laws and frameworks to monitor and regulate foreign investment.⁶⁶ This strategy of strengthening protection of critical technologies and infrastructure within targeted fields while maintaining openness to the international economy is sometimes called a “small yard, high fence” strategy.⁶⁷ Ensuring thorough safeguards for telecommunications, energy networks, ports, and other critical infrastructure, alongside core technologies fundamental to state functions such as AI, quantum technology, and semiconductors, has become the central challenge of Australian economic security.

(3) Challenges for Australia's Economic Security Policies

While Australia's economic security policies may appear at first glance to be progressing steadily, many challenges remain. First, with respect to trade diversification, the gradual easing of Chinese sanctions alongside the improvement of Australia-China relations since 2022 has seen Australian exports to China recover to pre-sanction levels. Indeed, in the first half of 2023, exports to China reached an all-time high, driven by increased lithium exports, and they have continued to trend upward. By contrast, the shares of exports to Japan, the Republic of Korea, and Taiwan have declined again. (See Figure 2.) In fiscal year 2023–2024, China's share of Australian exports reached 41%, far exceeding Japan (16%), the Republic of Korea (7%),

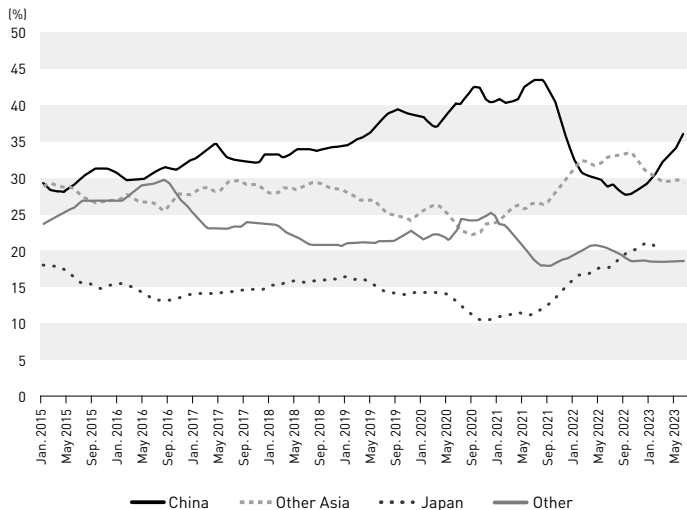
65) Hayley Channer, Georgia Edmonstone, and Tom Barrett, “Australia's Economic Security Outlook: Expert Perspectives on Challenges Facing Australia in 2025,” United States Studies Centre, January 30, 2025 <https://www.ussc.edu.au/australias-economic-security-outlook-expert-perspectives-on-challenges-facing-australia-in-2025>.

66) [Australia] Treasury, “Australia's Foreign Investment Framework,” March 14, 2025 <https://www.foreigninvestment.gov.au/investing-in-australia/foreign-investment-framework>.

67) Kennedy, “Address to the United States Studies Centre: Economic Policy in a Changing World.”

and India and Taiwan (4% each).⁶⁸ Meanwhile, the share of imports from China remains substantial as well. The fundamental reality that Australia’s resource-heavy economy “depends on China” remains largely unchanged.

Figure 2. Australia’s Export Destinations and Shares (2015–2023)



(Source) David Uren, “Despite It All, China Dominates Australian Trade—Again,” *The Strategist*, July 3, 2025 <https://www.aspistrategist.org.au/despite-it-all-china-dominates-australian-trade-again/>.

Second, Australia faces shortages of capital and labor. Strengthening domestic industry, mining critical minerals, and transitioning to net zero require substantial funding and a large workforce, but high upfront investment burdens, market uncertainty, price volatility, and the risk of government market intervention often deter private firms from entering these sectors.⁶⁹ Paradoxically, this has resulted in continued reliance on Chinese capital for some of these projects. The government has sought to mitigate this through tax incentives and partial cost subsidies, but it has struggled to attract new

68) David Uren, “Despite It All, China Dominates Australian Trade—Again,” *The Strategist*, July 3, 2025 <https://www.aspistrategist.org.au/despite-it-all-china-dominates-australian-trade-again/>.

69) [Australia] Treasury, *Future Made in Australia: National Interest Framework: Supporting Paper*, May 14, 2024 <https://treasury.gov.au/sites/default/files/2024-05/p2024-526942-fmia-nif.pdf>.

buyers through such measures alone.⁷⁰ Australia also faces a chronic shortage of skilled labor, for which it has yet to find an effective remedy.⁷¹

Australia's efforts to revive its domestic industry are not new; it has made several similar attempts in the past, none of which yielded sustained success. With a relatively small domestic market, Australia needs exports to achieve economies of scale, yet its geographic remoteness imposes substantial transport costs.⁷² By one measure, hourly value added in manufacturing (labor productivity) is approximately 11% below the average for all industries, well below sectors such as mining, financial services, utilities, and information and communications. As a result, some analysts argue that strengthening manufacturing, without shifting capital and labor from less productive sectors, would simply put pressure on other sectors.⁷³ Australia's labor costs are also among the highest in the world, and complex regulations and high compliance requirements further erode its competitiveness.⁷⁴

Third, Australia's clean energy transition faces numerous challenges. Chinese firms hold the lead in batteries, solar panels, and many other green technology fields in terms of experience, efficiency, and cost competitiveness. Therefore, to achieve zero emissions, Australia has little choice but to rely on Chinese technology. For example, 80% of the wind turbines Australia has imported for energy transition and 80% of the electric vehicles (EVs) sold in Australia are Chinese-made.⁷⁵ Australia signed an FTA with China in 2015 and has shown no inclination to follow the United States or European countries in imposing tariffs on Chinese EVs. Australia's clean energy transition has

70) Tom Lowrey, "Future Made in Australia: What We Know about the Government's Flagship Budget Policy," ABC News, May 16, 2024 <https://www.abc.net.au/news/2024-05-16/what-is-the-government-future-made-in-australia-plan/103852302>.

71) Andrew McKellar, "Diversification Needed for Trade," *Australian*, October 17, 2023 <https://www.theaustralian.com.au/business/diversification-needed-for-trade/news-story/ae43db7b196f812470f3aec3f40642cc>.

72) Satyajit Das, "Industrial Policy Won't Bring About a Future Made in Australia," *Nikkei Asia*, April 23, 2024 <https://asia.nikkei.com/Opinion/Industrial-policy-won-t-bring-about-a-Future-Made-in-Australia>.

73) Tom Dusevic and Patrick Commins, "Future Made in Australia: Productivity Commission's Danielle Wood Reveals Hidden Cost of Anthony Albanese's Future," *Australian*, April 11, 2024 <https://www.theaustralian.com.au/nation/politics/future-made-in-australia-productivity-commissions-danielle-wood-reveals-hidden-cost-of-anthony-albaneses-future/news-story/690e34b972e07355d92728ad7e569112>.

74) Das, "Industrial Policy Won't Bring About a Future Made in Australia."

75) John Kehoe, "China's EVs Good for Aussie Drivers, Bad for Global Trade War," *Australian Financial Review*, August 28, 2024 <https://www.afr.com/policy/economy/china-s-evs-good-for-aussie-drivers-but-risk-global-trade-war-20240827-p5k5ni>.

therefore deepened, rather than diminished, its dependence on China.

Finally, there is the “Trump factor.” After Chinese trade sanctions were lifted, Australia had to deal with the Trump administration’s tariff measures. Since April 2025, all Australian exports to the United States have been subject to a new uniform 10% tariff, and in June, an additional 50% tariff was imposed on steel and aluminum. There is also speculation that pharmaceuticals, a major Australian export, could face a 200% tariff, with copper subject to a 50% tariff.⁷⁶ The U.S. share of Australia’s total exports is less than 5%, so the direct economic impact of the tariffs is more limited than for other major economies. Even so, if U.S. trade actions affect the global economy, particularly the Chinese economy, Australia will inevitably feel the ripple effects.

Against this backdrop, the October 2025 U.S.-Australia summit produced an agreement on a U.S.-Australia Framework for Securing of Supply in the Mining and Processing of Critical Minerals and Rare Earths, which includes joint U.S.-Australian investment in a critical minerals project pipeline totaling USD 8.5 billion.⁷⁷ While the supply chains for Australian critical minerals are currently dependent on China for refining and processing, this framework aims to place control back in U.S.-Australian hands and is potentially a “game changer” among Australia’s economic security policies.

At the same time, if U.S.-China relations were to deteriorate further over trade and geopolitical competition, the Trump administration could apply pressure on Australia over its trade with China. President Barack Obama once asked Prime Minister Tony Abbott to halt iron ore exports to China, much to the surprise of the Australian side.⁷⁸ Should U.S.-China tariff negotiations break down, there is no guarantee that the United States would not apply such pressure on Australia again. While Australia seeks to “decouple from China” on economic security grounds, the practical obstacles remain substantial. Structurally, Australia continues, for the most part, to be “caught between” the U.S.-China rivalry. If anything, the advent of the second Trump administration has deepened Australia’s dilemma.

76) Bonnie Li, Natalie Hui, and Robin Zhang, “Tariffs, Tensions, and Trade: What’s Next for the Australian Economy?” UNITI, July 27, 2025 <https://www.uniti.org.au/unit-scroll/tariffs-tensions-and-trade-whats-next-for-the-australian-economy>.

77) [Australia] Prime Minister, “Historic Critical Minerals Framework Signed by President Trump and Prime Minister Albanese,” October 21, 2025 <https://www.pm.gov.au/media/historic-critical-minerals-framework-signed-president-trump-and-prime-minister-albanese>.

78) Joe Hockey and Leo Shanahan, *Diplomatic: A Washington Memoir*, Kindle Edition (HarperCollins, 2022), loc. 3973.

Conclusion

This chapter has examined AUKUS as a response to competitive pluralization in the military domain, and Australia's economic security policies as a response to competitive pluralization in the economic domain, addressing the substance and challenges of each. With respect to AUKUS, this examination showed that Australia, through the integration of the defense industrial base with the United States and the United Kingdom, is pursuing an integrated trilateral response to China's rapidly expanding capabilities, particularly in emerging technology fields. As for economic security, it illustrated how Australia is strengthening its response to Chinese economic coercion, interference, and espionage through supply chain resilience, the strengthening of domestic industry, and the protection of critical technologies and critical infrastructure. It also highlighted the growing importance of cooperation with partner countries, including Japan, in areas such as trade diversification and critical minerals production.

Domain	Case	Issues	Means	Partnerships
Military	AUKUS	Nuclear-powered submarines, emerging technologies (AI, quantum technology, cyber, hypersonics, etc.)	Development, production, and innovation through defense industrial base integration	United States, United Kingdom (and Japan)
Economic	Economic security	Trade and supply chains, critical resources and infrastructure, climate change, and others	Diversification of trade and supply chains, protection of critical resources and infrastructure, cooperation with foreign partners	United States, Southeast Asia, Northeast Asia, the Middle East, and European countries (especially the United Kingdom and the EU)

To prevail in competitive pluralization across the military and economic domains, Australia is thus seeking to strengthen its military capabilities across diverse fields and to bolster security through economic means. In this endeavor, Australia is drawing on cooperation not only with the United States, its traditional ally, but also with partner countries including Japan and the United Kingdom. The domains, means, and partner countries of competition have indeed pluralized, but their principal aim is deterring China, reducing dependence on China, and securing strategic advantage through these efforts. In this sense, although the substance of the competition is "pluralizing," its purposes are converging. While not addressed in this chapter, a similar tendency can be observed in Australia's engagement with

the Pacific Island countries.⁷⁹

This chapter has also identified the challenges and problems for these policies. As regards AUKUS, the outlook for U.S. submarine transfers remains uncertain, and U.S. export controls and other obstacles have hindered the full integration of the defense industrial base among the three countries. As for economic security, despite trade diversification and the strengthening of domestic industry, Australia continues to depend heavily on China for exports and for its clean energy transition. With its relatively small domestic market, Australia also faces shortages of capital and labor.

The advent of the second Trump administration has further complicated Australian strategic calculus for standing strong against China amid competitive pluralization. With respect to AUKUS, U.S. demands for burden-sharing under “America First” are likely to intensify, further eroding Australian autonomy. With respect to economic security, beyond having to deal with U.S. tariffs, Australia may also face growing U.S. pressure for further decoupling (or de-risking) from the Chinese economy, depending on the trajectory of U.S.-China rivalry. Such pressure, as Australia struggles to reduce its dependence on China, would put the country in an even more difficult position. Australia must also prepare for unforeseen contingencies, including the possibility that the Trump administration may strike some form of “deal” with China over regional security.

Under such circumstances, Australia is likely to continue pluralizing its partnerships by further strengthening relations with countries other than the United States, while maintaining existing frameworks such as the U.S.-Australia alliance and AUKUS. This pluralization of partnerships will be important not only for reducing Australia’s economic dependence on China but also for balancing its excessive security dependence on the United States. Cooperation with U.S. allies will, through the sharing of the defense burden in deterring China, help ease U.S. pressure for greater Australian defense spending as well. Australia will also seek to engage China with the aim of maintaining stable relations, even as it works to reduce its economic dependence on China. These dynamics are not unique to Australia; they apply, to varying degrees, to other regional states beyond the United States and China, including Japan. As a result, the competitive pluralization in the Indo-Pacific region is likely to accelerate further in the years ahead.

79) See Satake Tomohiko, “Goshu no Taiheiyo toshokoku seisaku to sono kadai” [Australia’s policy toward the Pacific Island countries and its challenges], *Kokusai Anzenhosho* [Journal of International Security], March 2026.