

Enhancing Defense Industrial Cooperation Between Australia and the United States

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Full Report: Enhancing Defense Industrial Cooperation Between Australia and the United States

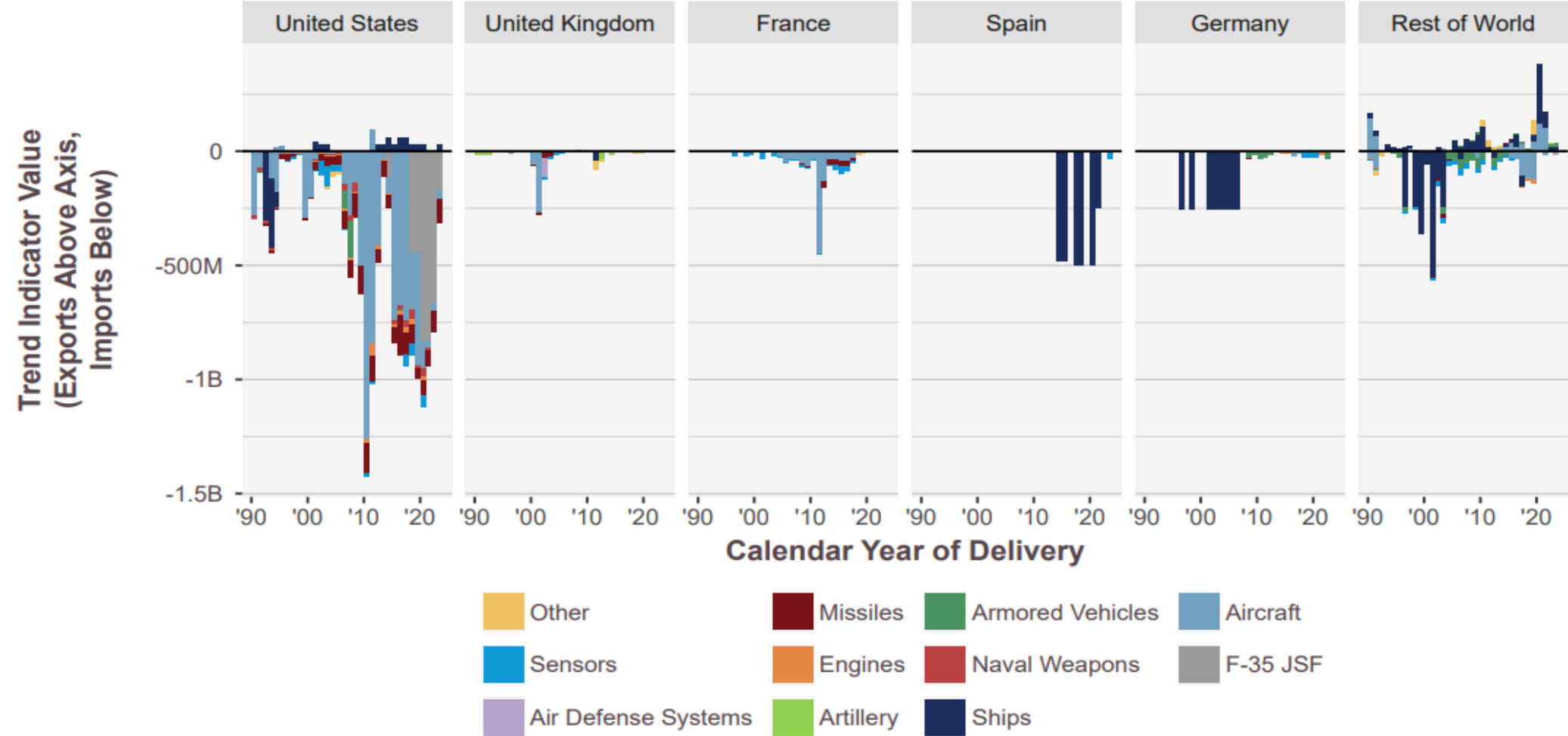
A Joint Project between the Defense-Industrial Initiatives Group and Australia Chair at CSIS



Background

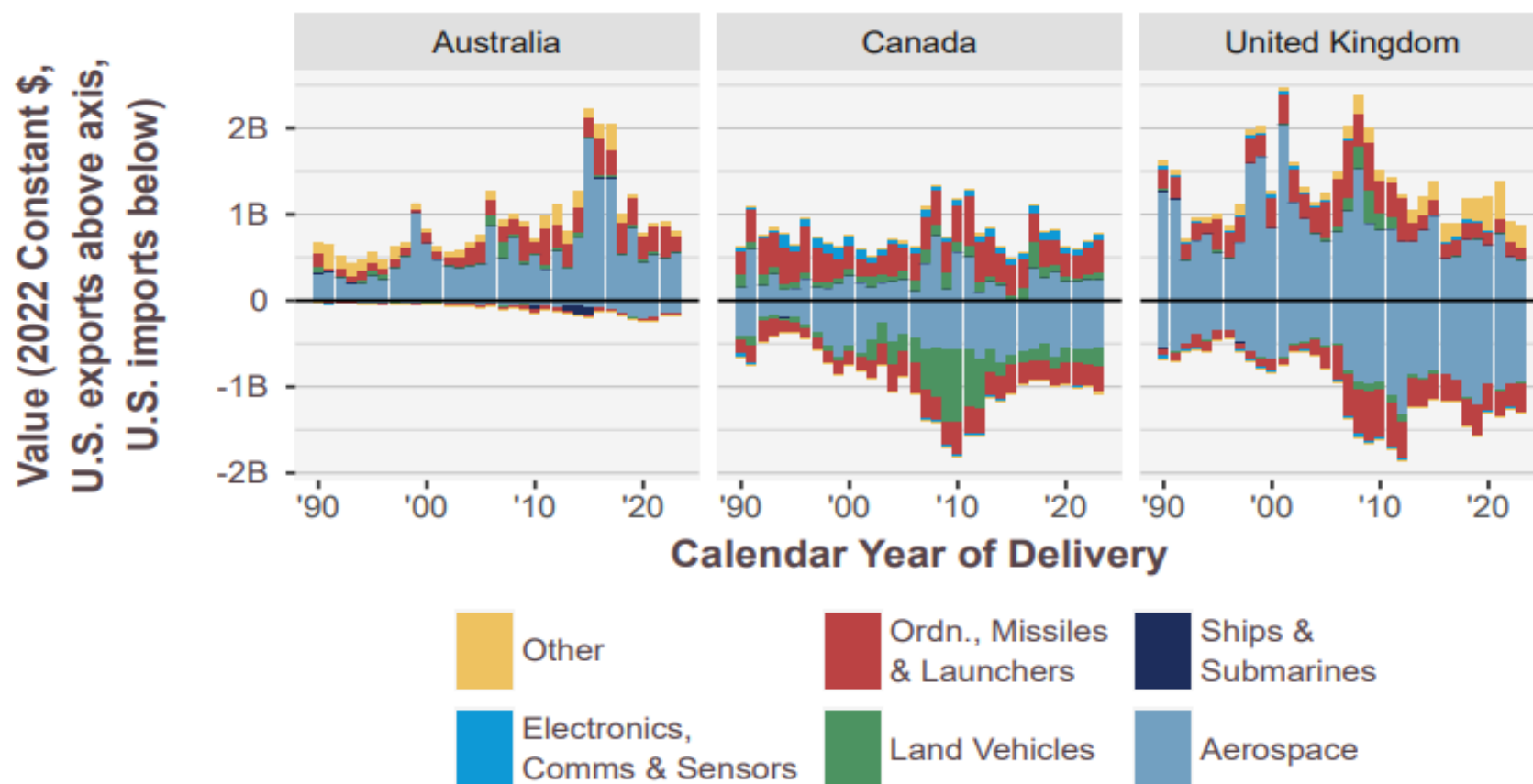
- Funded by the Strategic Policy Grant Program through Australia's Department of Defence
 - Research plan evolved to meet sponsor interests
- Quantitative data derived from U.S. International Trade Commission, U.S. contracting data and Stockholm International Peace Research Institute
- Qualitative data from
 - Public and private roundtables
 - Interviews with 9 U.S. companies and 19 Australian companies

Figure 2.1: Australian Imports and Exports of Major Arms Systems, 1990–2023



Source: "SIPRI Arms Transfers Database," Stockholm International Peace Research Institute, May 2024, <https://www.sipri.org/databases/armstransfers>; and CSIS analysis.

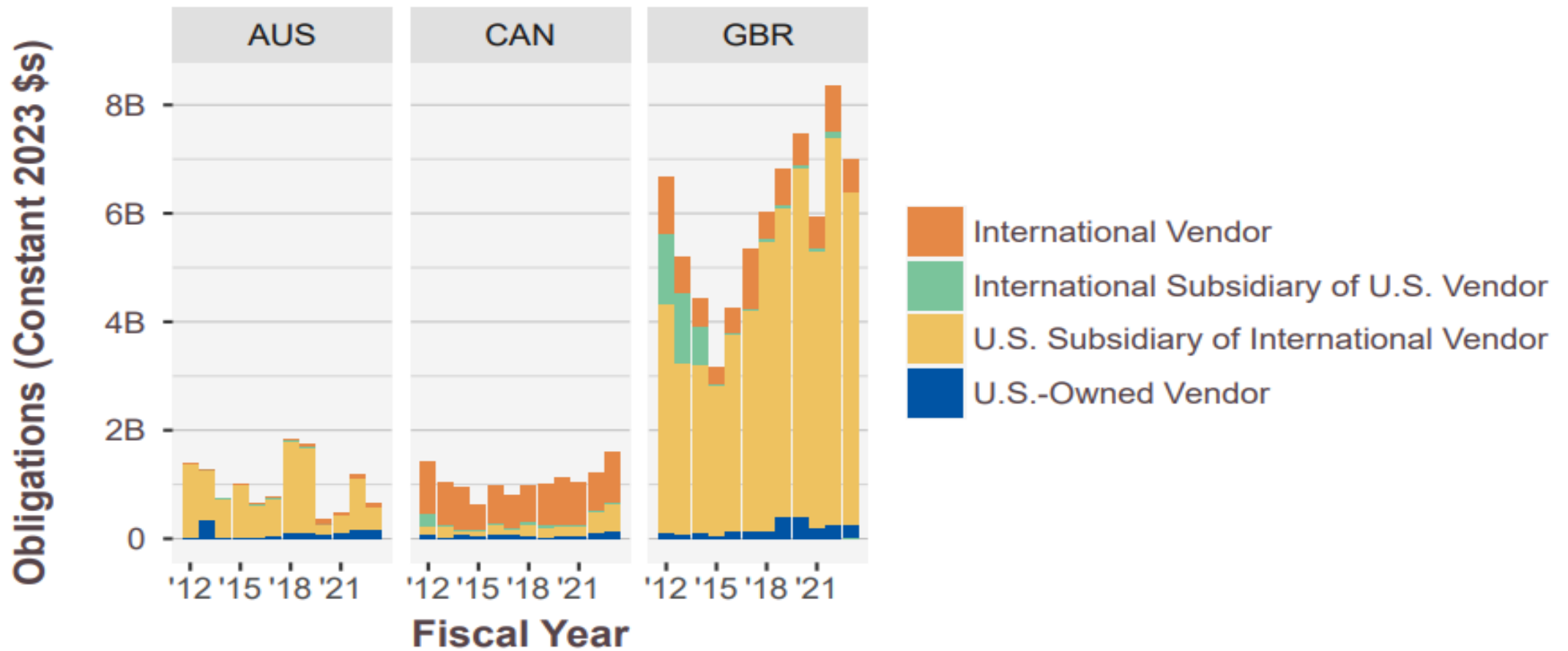
Figure 2.2: U.S. Arms Trade with Australia, Canada, and the United Kingdom, 1990–2023



Note: The dataset does not account for reexported arms, which may inflate values in certain categories. Dual-use small arms are not included.

Source: "DataWeb," U.S. International Trade Commission, May 18, 2024, <https://dataweb.usitc.gov/>; and CSIS analysis.

Figure 2.3: U.S. DOD Prime Contracts with Australia, Canada, and the United Kingdom

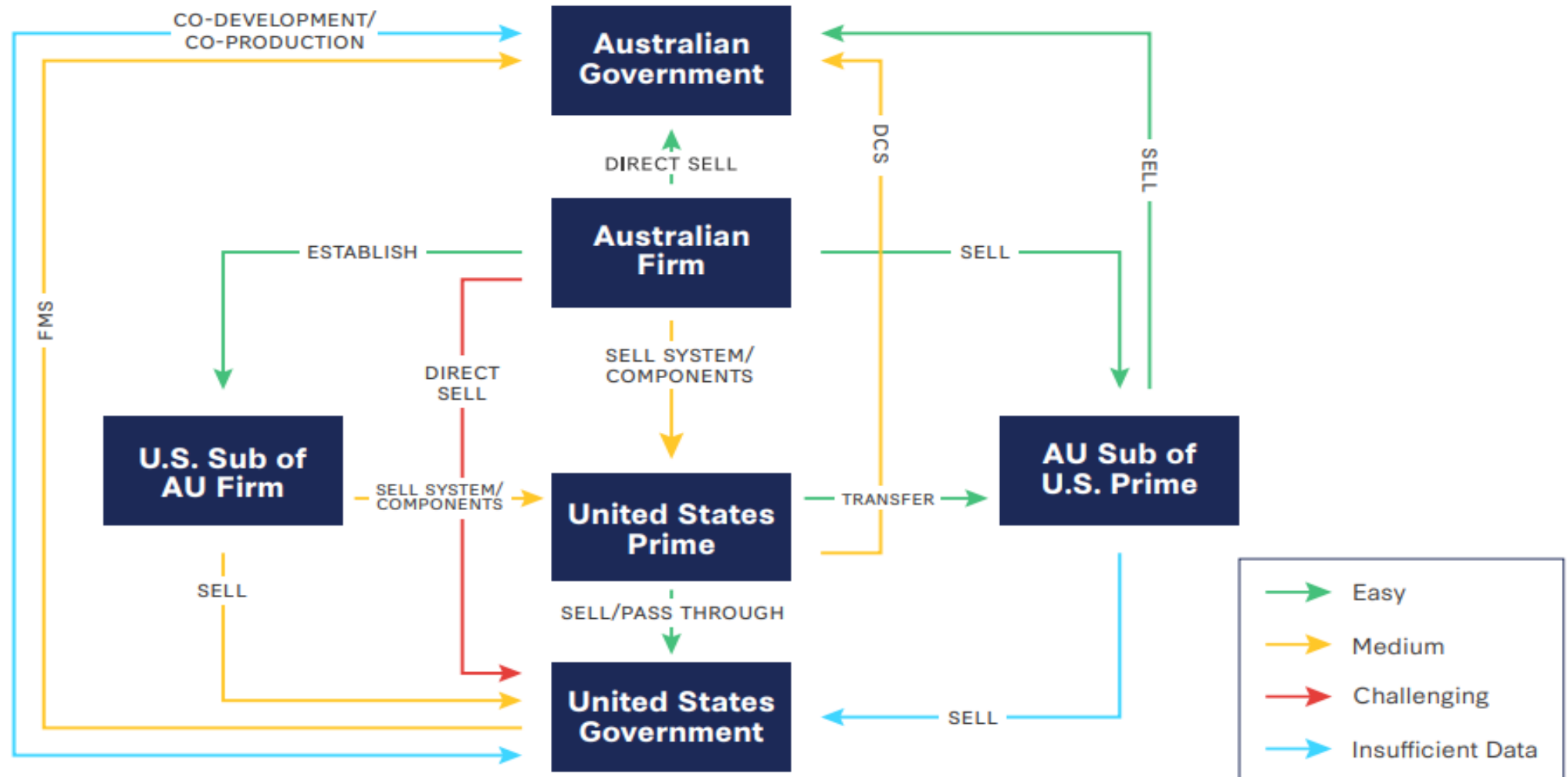


Source: Federal Procurement Data System (FPDS) and CSIS analysis.

Type of Barrier	Representative Examples
Budgetary	Differences in funding priorities or availability of resources Inability to determine or agree to fair share (costing requirements)
Bureaucratic	Sheer number of stakeholders and organizations Over-classification of communications (default to NOFORN) Conflicting priorities and incentives within U.S. and partner organizations
Cultural	Differing approaches or expectations regarding military cooperation Reluctance or inability to share sensitive or classified data Historical experience in bilateral or multilateral engagements/relationships
Political	Government restrictions or limitations external to a nation's defense department Domestic pressures or influences from industry, legislatures, or popular opinion

Type of Barrier	Representative Examples
Regulatory	<p>Written prohibitions or limitations to collaboration in U.S. legal code, congressional legislation, or departmental instructions</p> <p>Ally/partner legal or executive-level restrictions on collaborations with foreign partners</p>
Strategic	<p>Diverging national interests and threat perceptions</p> <p>Differences in priorities concerning collaboration with the United States and other allies and partners</p>
Technical	<p>Lack of compatible systems or procedures to share information</p> <p>Imbalances in scientific or domain experience</p> <p>Lack of confidence in ally/partner's ability to effectively protect classified or sensitive information</p>
Economic	<p>*Insufficient business case to incentivize cooperation for industry</p> <p>*Cost of learning new, foreign acquisition system or setting up a subsidiary and office in the partner nation</p> <p>*Misaligned business strategies as companies prioritize different end markets and products</p>

Figure 5.1: Pathways of Connection by Difficulty



Source: CSIS analysis.

Recommendations – Budgetary and Technical Barriers

- Align requirements for new systems whenever possible
- Use AUKUS or other arrangements as venues for defining and implementing shared standards

Recommendations – Regulatory and Bureaucratic Barriers

- Equivalency agreements for defense standards
- Mutual recognition of accreditation of standards
- Joint procurement panels to deepen AUKUS coordination
- Mutual recognition of security clearances
- Expand AUKUS+Canada ITAR exemptions

Recommendations – Cultural, Political and Strategic Barriers

- DOD and ADOD should conduct audit of industrial cooperation efforts before each AUSMIN to track change
- DOD and ADOD should (be required to) furnish annual reports on defense industrial integration to their respective legislatures
- US Department of State should increase education on AUKUS waivers and Austrade should support Australian industry education

Recommendations – Economic Barriers

- Defense industry groups should establish an AUKUS focus consortium
- Both governments should subsidize overhead costs of consortia for AUKUS Pillar II topics
- U.S. should use Other Transaction Authorities for AUKUS
- Australian government should increase investment in acquisition education for industry
- DOD should enhance training of its acquisition workforce on international cooperation
- Embrace Modular Open Systems Approaches to reduce barriers to entry and expand cooperation