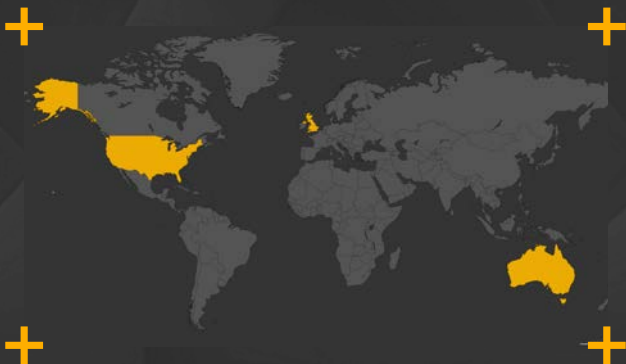


SPS Global Insights

AUKUS



This report delves into the formation and implications of the AUKUS partnership. It explores the geopolitical interests and security concerns that led to the creation of AUKUS, the potential impact of this alliance on regional dynamics, and the evolving global power competition with China.

Executive Summary



AUKUS, comprising Australia, the United Kingdom, and the United States, is a security and technology-sharing pact with wide-ranging implications for regional and global dynamics. Emerged in September 2021, a collaborative initiative was introduced for Australia to obtain conventionally armed, nuclear-powered attack submarines known as Pillar I in the first phase of AUKUS. The plan involves the incorporation of assets and expertise from the US Navy and Royal Navy, including their respective submarine manufacturing facilities, into the Australian armed forces.

Australia has been increasingly apprehensive about China's escalating influence in the Asia-Pacific area. Nonetheless, economic ties with China, as Australia's largest trading partner, often took precedence over geopolitical worries. But China's overarching influence has surpassed previous considerations, prompting Canberra to prioritise bolstering its deterrence capabilities against Beijing.

Conversely, the United Kingdom is in the process of reconfiguring its position on global affairs. In alignment with Washington, the UK views Beijing's actions with apprehension and regards Xi Jinping as an aggressive actor. Consequently, the UK is striving to strengthen its ties with its long-standing allies, with a specific focus on its fellow Anglophone nations, especially in the post-Brexit landscape.

Furthermore, the active participation of the United States underscores its commitment to managing China's influence in the Asia-Pacific region, with the goal of preserving its own dominant role and ensuring the security of its allies. This alliance signifies a proactive stance in navigating the evolving geopolitical landscape, particularly in the Asia-Pacific arena.

This report will explain the strategy behind AUKUS, and the associated risks this will have for global security, businesses, and foreign travel as the world becomes increasingly confrontational.

Containing China



The geopolitical significance of the Asia-Pacific region has become increasingly prominent in today's international arena. Under President Xi Jinping's leadership, China has made concerted efforts to expand its military presence in the area. Notably, a recent annual report to Congress by the US Department of State highlighted the concerning growth of the People's Liberation Army Navy (PLAN), which now has the world's largest numerical naval force, consisting of over 370 ships and submarines. The PLAN force primarily comprises modern multi-mission vessels and submarines. The United States' capacity to extend its influence beyond its borders has long been fundamental to its global dominance, with the US Navy serving as a cornerstone of this capability. China's expansion and growing influence in the Asia-Pacific region have raised concerns in Washington, prompting the allocation of resources to counterbalance China's rising power. The establishment of AUKUS exemplifies this strategy, as the United States aims to enhance its security presence in the Pacific region.

Naturally, Chinese policymakers view AUKUS as a provocative and hostile alliance that fosters division among states. Such concerns from Beijing are unsurprising, given the historical precedent of great powers seeking regional dominance to safeguard their national security. For example, one consistent foreign policy principle of the United States has been to establish and maintain dominance in the Americas to protect its sovereignty, and it has been willing to undertake substantial efforts to achieve this objective. China will likewise follow a symmetrical policy in response to actions such as its military buildup in the South China Sea and its assertive stance towards Taiwan. These actions align with a broader geopolitical strategy to diminish American naval presence within China's sphere of influence. Approximately six months after the AUKUS announcement, a security agreement between China and the Solomon Islands emerged which was seen to bolster China's diplomatic efforts and counters US influence in the Pacific. Furthermore, China's attempts to create a pro-Beijing bloc in the Pacific region with 10 Pacific Island nations in a virtual meeting in May 2022 have drawn comparisons to Imperial Japan's Greater East Asia Co-Prosperty Sphere.

In reaction to these developments, the United States has upscaled its presence in the Pacific Islands, as seen in events such as the US-Pacific Islands Summit in 2022 and the signing of a defence cooperation agreement with Papua New Guinea in earlier 2023. Both Beijing and Washington are actively working to strengthen their alliances in the Pacific region, highlighting the ongoing security competition between major powers.

Australian Security Concerns

With Australia being an island nation, defence threats will primarily originate from the sea. Along with the Royal Australian Navy, it has historically relied on naval allies to safeguard its maritime interests and sea-based trade. In its early years, Australia looked to its colonial ties with Britain, benefiting from the protection offered by the Royal Navy for Australian shipping. However, with the diminishing role of Britain in global affairs, Australia has had to explore alternatives.

Hence, the French-Australian submarine deal came as a surprising development. Over the years, the Royal Australian Navy faced significant challenges in replacing its aging Collins-class submarines. In 2016, French and Australian officials reached an agreement to enhance Australia's submarine capabilities, involving the transfer of cutting-edge technology and expertise to Australian industries.

However, Australia's decision in 2021 to join AUKUS, which involved a shift away from the French submarine deal, stirred diplomatic tensions with France. Australia was increasingly concerned about the limitations of diesel-electric submarines, particularly their fuel constraints and lack of stealth capability, making them unsustainable in the evolving security landscape. As China's influence grew, Australia sought a more reliable alternative. AUKUS offered precisely that by providing nuclear-powered submarines as a robust alternative to their diesel-powered counterparts.

Additionally, the security agreement between the Solomon Islands and China in 2022, raised significant concerns for Australia, that the coalition government viewed as a national security threat. Just five months prior to this security pact, the Solomon Islands had

requested aid from Australia to quell anti-government riots. The new agreement with China would be granted a similar role, further accentuating the power struggle in the region.

These geopolitical shifts carry risks not only for global travel and foreign citizens but also for Australia's economic stakes. Despite being Australia's largest trading partner, these developments could create hurdles for Australian business figures operating with Chinese entities. Nevertheless, the AUKUS pact presents a chance for Australia to strengthen economic ties with the United States and the United Kingdom. Australian Prime Minister Anthony Albanese's recent meeting with President Xi Jinping on November 4 suggests potential improvements in bilateral relations. However, as long as security competition remains a concern, it may continue to pose financial and travel-related risks for businesspeople.



Global Britain



The United Kingdom, in the context of AUKUS, has found an opportunity to enhance its influence and play a substantial role in global power dynamics, particularly in the aftermath of Brexit. The country's 2023 Integrated Review of Security, Defence, Development, and Foreign Policy reaffirmed its commitment to tilt toward the Asia-Pacific region. It also laid out a £5 billion immediate uplift for the defence industry, of which £3 billion will go to the defence nuclear industry including AUKUS, indicating its strategic engagement in the Asia-Pacific region and economic benefits as the UK's top defence industry, BAE systems has been awarded the contract.

In addition, this strategic shift includes aspirations to attain dialogue partner status with members of ASEAN, a move aimed at strengthening bilateral, economic, and security collaborations. The report highlights the UK's apprehensions regarding China's actions that challenge the established international order, both in terms of security and values. Of particular concern are China's assertive behaviours in regions such as the South China Sea and the Taiwan Strait, which are seen as potential threats to shipping lanes and overall global stability.

Additionally, AUKUS allows the United Kingdom to reinvigorate its connections with fellow Anglosphere nations. The 2023 report places particular importance on its "special relationship" with the United States, while also highlighting its strong partnerships with Australia, Canada, and New Zealand. This realignment aligns with the broader effort to strengthen its role within the Five Eyes Alliance, reinforcing collaboration and intelligence-sharing among English-speaking countries.

This achievement not only strengthens Britain's ties with like-minded nations but also presents significant economic advantages including Australia and the United States. However, it does point economic threats from China AUKUS has already set in motion Pillar I, involving the provision of conventionally armed, nuclear-powered submarines to Australia. Pillar II now shifts its focus towards technological advancements which entails enhancing their joint capabilities and interoperability. It also covers cyber capabilities, AI, quantum technologies and undersea capabilities. On November 7, the Biden Administration sent delegates to review the the progress of AUKUS, signifying further integration.

Risk Assessment

In conclusion, the formation of AUKUS, comprising Australia, the United Kingdom, and the United States, represents a significant shift in the global geopolitical landscape. It is primarily driven by shared concerns about China's growing influence, particularly in the Asia-Pacific region. While this security partnership has strategic and economic advantages for its members, it also carries inherent risks for international travellers and businesspeople. Potentially, this will fuel a regional arms race such as Beijing's willingness to expand its navy and develop new nuclear powered submarines, which they lack. Moreover, tying the United Kingdom and Australia to US foreign policy, can lead to economic trade barriers and tariffs as both countries depend heavily on Chinese trade.

The interests of the United States, Australia, and the United Kingdom in the AUKUS partnership are driven by a combination of factors. For the United States, concerns over its waning influence in the Asia-Pacific and the broader challenge of maintaining global dominance in the face of China's rise are pivotal drivers. Australia is primarily focused on enhancing its national security within the region, given China's expanding influence and its efforts to cultivate diplomatic ties with neighbouring Pacific nations. Meanwhile, the United Kingdom aims to actively participate in the evolving geopolitical landscape, particularly in the aftermath of Brexit. The business risks however are apparent as global supply chains could be disrupted as naval powers compete for security in the region and could see important shipping routes disrupted like the Strait of Malacca.

For foreign nationals, the increased competition and tension among these major powers may create a more uncertain international environment. This could result in geopolitical risks, such as detainment or difficulties in international travel. Businesspeople engaging with countries involved in AUKUS, particularly China, may find themselves facing challenges as relations between these countries become more strained. As reported by the San Francisco-based non-profit organisation, the Duo Hua Foundation, 200 U.S. citizens faced wrongful detention in China in 2023. Additionally, during the year, there were several concerning incidents, including a raid on the Beijing offices of the U.S. Mintz Group, resulting in the closure of its operations. Then in April, another U.S. consultancy firm, Bain & Company, faced a similar raid, and in May, the offices of Capvision were also targeted. These developments highlight a heightened concern for foreign businesses in China as tensions mount between the West and China

Furthermore, in July, China enacted its Foreign Relations Law, which introduced a comprehensive framework for the country's foreign relations. The law's stated objective is to "safeguard China's national sovereignty, national security, and development interests and uphold international fairness and justice." Foreign companies operating in China, including those from the UK, Australia, and the United States, may face the impact of potential counter or restrictive measures enforced under the Foreign Relations Law.

It's crucial for foreign travellers and business professionals to stay informed about the evolving dynamics in international relations and regional security. As the great power competition continues to unfold, proactive risk assessment, diplomacy, and understanding local contexts will be key to navigating this complex landscape.

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