

## Indo-Pacific Geopolitical Dynamics: The Role of Australia, AUKUS, and Increasing the Defense Budget

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### ABSTRACT

The development of the defense and security situation in the Indo-Pacific region due to the situation in the South China Sea made the US alert and established an AUKUS defense pact. AUKUS has members from the US, UK and Australia. Australia, as a country located closer to the South China Sea, is the focus of the other two AUKUS members in countering Chinese hegemony. The purpose of this article is to find out how Australia is trying to build its defense industry by increasing the defense budget when joining AUKUS. This research was conducted using qualitative descriptive methods. The data used is secondary data originating from published journals and reports. This research concludes that Australia's joining AUKUS made Australia try to equalize its military capabilities with the US and UK by increasing its defense budget.

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## **INTRODUCTION**

Several massive Chinese policies such as the Nine Dash Line, One China Policy, and the Belt Road Initiative shocked various countries in the world, including the US. The Nine Dash Line policy is China's claim to approximately 2 million square km of its maritime territory, reaching the maritime territories of Indonesia, the Philippines, Malaysia, and Vietnam; One China Policy is China's claim that Taiwan, Macau and Hong Kong are one unit under the Chinese government; While the Belt Road Initiative (BRI) is China's policy to create a Silk Road to build investment routes and infrastructure routes that pass through a total of 150 countries, BRI is a massive policy that worries the US the most. To date, BRI has succeeded in building infrastructure, education, construction materials, railways and highways, cars, real estate, electricity networks, and iron and steel in several countries, as well as the formation of the Asian Infrastructure Investment Bank, the formation of BRIC, whose members are Brazil, Russia, India, China and South Africa, several inter-country cooperation committees, as well as several legal bases that support BRI policies. AUKUS was formed to restrain China's hegemony in the Indo-Pacific region (Fahmi, 2018).

AUKUS is a defense pact formed by the US on September 15 2021. AUKUS is a trilateral defense pact named after the acronym of its three members, namely Australia, UK and US. This pact is an attempt by the US to instill its hegemony in the Indo-Pacific region more deeply, after previously forming the Quadrilateral Security Dialogue (QUAD), a security dialogue forum consisting of the US, Australia, India and Japan in 2007, as well as the Five Eyes, an intelligence alliance. whose members were Australia, Canada, US and UK in 1941. Australia is also part of ANZUS, a security treaty that has been binding between Australia, New Zealand and US since 1951, and is part of the Five Power Defense Agreement with UK, Malaysia, Singapore and New Zealand. Zealand since 1951 (Susila, 2023).

AUKUS collaboration covers several things, namely intelligence, quantum technology which has been realized in the nuclear-powered submarine project, and the purchase of cruise missiles. Australia as part of the Indo-Pacific region is the main power that AUKUS relies on as a power base if war occurs in the future. Therefore, Australia naturally has to increase its defense budget (Sipri Fact Sheet. 2023; Luckenbaugh, 2023).

Australia is a large country or continent which is part of the southern Indo-Pacific region. Australia is surrounded by oceans, the northern part of Australia is bordered by the Arafuru Sea and the Timor Sea which are still part of Indonesian territory. Western Australia directly borders the Indian Ocean. The southern part of Australia borders directly on the Antarctic Ocean and the Indian Ocean. To the east, it borders the Pacific Ocean, Tasman Sea, and Coral Sea. Australia is a British Commonwealth country that directly borders Southeast Asia. Its geographical location puts Australia in a position that is vulnerable to threats. Increasing defense and security capacity is an obligation for Australia to increase its geopolitical capabilities.

Since before the Cold War era, Australia has been actively developing diplomatic and military relations with the US and UK. Its strategic position in the Indo-Pacific region makes Australia favored by the UK and US as a base in the Asia-Pacific region. After the Cold War era, Australia began to realize that there

was a change in the world constellation, from the US and Russia being the strongest to anyone being able to, Australia began to increase its military capabilities. This increase in Australia's military capabilities is a consequence of Australia as a major actor in the Asia Pacific region (Australia Strategy Policy Institute, 2021).

Increasing military capabilities will automatically increase Australia's defense budget. Funding policy updates in the Australian defense budget were launched in 2013 to cover Australia's expanding national interests and changing and challenging strategic environment. The research question in this paper is how Australia will attempt to develop its defense industry by increasing its defense budget when joining AUKUS. Apart from that, this research is expected to analyze Australian policies in developing its defense policy.

## LITERATURE REVIEW

### *Defense Budget as Part of Defense Policy*

According to Malizard and Aben (2017), the defense budget is part of a country's interaction with its strategic environment. The defense budget is important because it can provide a backup for possible threats that can be predicted or that cannot be predicted. The defense budget is a shield to fight external threats and prevent domestic security from faltering. Therefore, the formulation of the defense budget must be carried out and measured strictly through defense policy. As part of defense policy, the defense budget in its design must also consider political conditions and resources that can support the implementation or application of the defense budget.

According to Malizard and Aben (2017), defense budgets in highly developed countries are actually not just military expenditures, but also expenditures related to defense are included in the defense budget. Including the development of the commercial weapons industry, military personnel health funds and allowances, pension funds and so on. Therefore, in developed countries, calculating the defense budget takes quite a long time.

Malizard and Aben (2017) stated that the defense budget is part of public funds, a form of state responsibility towards its people. Therefore, in the process of drafting democracy must be respected vis a vis. The defense budget is not only a matter of determining the budget which must be correct, but also the application process must be continuous, day to day, month to month, and year to year must be precise. The human resources that oversee the planning and implementation process must be qualified human resources. This is to minimize the risk of failure in its implementation, considering that the security and defense situation continues to change, both from within and outside the country, while at the same time mastering research & development, so that a country's defense and security is not left behind by other countries.

Several experts believe that a country's macroeconomic conditions can influence the defense budget, where GDP growth influences both the number of threats that may arise and countries that are interested in collaborating in the field of defense and security. However, several experts say that there is no influence of macroeconomic growth on the defense budget, this is because the defense budget is generally not higher than the public budget in general. The US

only applies 3.5% of its budget to the defense budget, while Australia with its membership in AUKUS increased its defense budget to 2.09%. The defense budget is also influenced by the form of leadership of a country, where dictatorial countries generally set a defense budget that is generally higher than countries with a democratic leadership system.

### ***Australian Defense Policy***

Australia is a large country that is a middle to upper military power country. However, Australia always tries to improve its security stability to maintain regional security stability. The Australian government stated that Australia adheres to a practical defense system, meaning that wherever possible Australia will collaborate with other countries or other international organizations to improve its defense and security. This collaboration with other countries will have an impact on defense policy which includes setting the Australian defense budget (Government Defense, 2017).

Collaboration with other countries influences the Australian Force Structure Plan which was recently drafted in 2020. There it is clearly stated that Australia will focus on its regional environment, namely the Indo-Pacific, therefore Australia has established a competitive and dynamic defense strategy to contribute to China and in order to provide strength commensurate with the US in the Indo Pacific region. Where the country that is a security competitor for Australia is also a friend and cooperative partner in the field of defense and security, (Australian Government Defense, 2020).

Australia - US collaborate in AUKUS, while a security meeting with China has just been held, where Australian Defense Minister Richard Marles and Chinese Defense Minister Li Shangfu met at the Shangri-La Dialogue defense summit in Singapore on Saturday 3 June 2023 and discussed defense and security developments between the two countries, after in May 2023 Australian trade minister Don Farrel met with Chinese trade minister Weng Wentao (Tan, 2023).

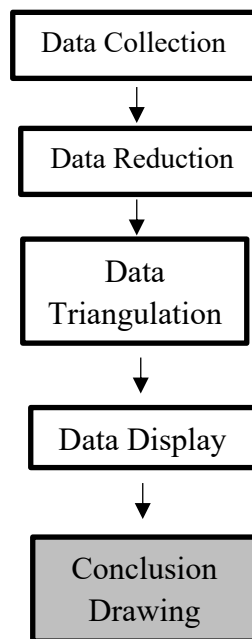
All decisions regarding the Defense Budget in Australia aim to shape the strategic environment, to ward off all actions both from and abroad that threaten Australia's national interests, to respond to current and environmental developments. The Australian government is also implementing the direction of the defense budget arrangement, such as wanting to focus on the Indo-Pacific region, as well as increasing the determination, intensity and capability of the Australian military forces. (Australian Government Defence, 2021).

### **METHODOLOGY**

This study uses a descriptive qualitative research method. The purpose of this descriptive qualitative research is to provide an overview and draw conclusions on the reality of a phenomenon or Indonesian socio-economic problem, so that the format of this research is more like a case study. The objects in this study are Indonesian Exports and Imports. This study aims to describe how the joining of Australia in AUKUS is affected the defense budget.

According to Flick (2018), the descriptive qualitative research method is a research method that emphasizes the formulation and steps to prove hypotheses that guide a study to explore or photograph a social phenomenon to be studied, namely Aukus Establishment, in a comprehensive and in-depth study. depth

manner. This research method takes pictures of all angles that influence the things studied, how Australia's defense budget. The qualitative descriptive research method compiles a theoretical framework based on the theory and results of previous research to describe the background and develop hypotheses systematically and accurately. The sequence of research methods carried out is as follows.



**Figure 1. Stages of Research Method**  
(Source: Flick, 2018)

The stages of the research method can be described according to Flick (2018). as follows:

a) Data Collections

Data collection in this study was carried out based on journals and review articles on Indonesian exports-imports and Indonesian export-import data. The data collection also collects everything about AUKUS, Indo-Pacific, Australia

b) Data Reduction

The data that has been collected is then reduced, so that it becomes a compact and accurate picture. From the collected and reduced data, a research background, hypothesis, and theoretical framework are formulated, including a review of the relevant Australian Defense literature.

c) Data Triangulation

Data triangulation in the study entitled "INDO-PACIFIC GEOPOLITICAL DYNAMICS: THE ROLE OF AUSTRALIA, AUKUS, AND INCREASING THE DEFENSE BUDGET" uses inter-researcher triangulation techniques, data source triangulation, and theoretical

triangulation. The results of data reduction will be confirmed or tried to be discussed first with other researchers. Triangulation of data sources is carried out by reconfirming the validity of the data sources.

d) Data Display

Display data in the study entitled "Indo-Pacific Geopolitical Dynamics: The Role of Australia, AUKUS, and Increasing the Defense Budget" is presented in Chapter 4 in the description. Then it is discussed by confirming or affirming how the influence of variable Y (ASEAN Free Trade Area) on variable X (Indonesian exports-imports) is based on the results of data triangulation.

e) Conclusion Draw

Conclusion drawing is the final stage of research. At this stage, a general conclusion is drawn from the data that has been presented from the research entitled "DEFENSE BUDGET OF AUSTRALIA AS A MEMBER OF AUKUS."

**RESULTS AND DISCUSSION**

The Australian Defense Policy that regulates the Australian Defense Budget is based on the Australian Defense Posture and Engagement 2016-2020, as well as the 2018 Defense Industrial Plan which focuses on defense industry sovereignty. Australia positions its defense and security as strategic growth. The Australian government considers Australia to be a well-placed country in the middle of the Indo-Pacific region which is experiencing rapid economic growth. Australia is a country with rapid economic growth in its region. Australia succeeded in attracting other countries to cooperate with the formation of a free trade alliance between Korea, Japan and China. Forming a Trans Pacific partnership with Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. Australia's economy is becoming increasingly advanced therefore Australia Strategy Policy Institute, 2021).

This gives Australia more opportunity to increase its Defense Budget. This increase in the Defense Budget is in line with the target set in the Defense White Paper of Australia in 2016. This increase in the Defense Budget also adapts to international conditions where almost all countries are increasing their defense budgets. The increase in Australia's Defense Budget is shown in Table 1.

**Table 1. Increase in Australia's Defense Budget and Estimates for 2021 - 2022 to 2024 - 2025 in billions of Australian dollars.**

	Nominal funding	Nominal increase	Nominal increase %	Real funding (2021-22 baseline)	Real increase	Real increase %	% of GDP
2018-19	37,239	2,313	6.6%	39,058	1,823	4.9%	1.91
2019-20	39,185	1,946	5.2%	40,557	1,499	3.8%	1.97

2020-21	42,042	2,857	7.3%	42,855	2,299	5.7%	2.04
2021-22	44,619	2,577	6.1%	44,619	1,763	4.1%	2.09
2022-23	48,162	3,543	7.9%	47,188	2,569	5.8%	2.21
2023-24	51,150	2,988	6.2%	48,893	1,705	3.6%	2.25
2024-25	53,330	2,181	4.3%	49,734	841	1.7%	2.23

(Source: Australian Strategy Policy Institute, 2021)

In table 1 it can be seen that in 2019 - 2020 there was an increase in the Defense Budget from 1.97% of GDP to 2.04% of GDP, increasing again in 2021 with 2.09%, as well as estimates in 2022 - 2023 which are expected to increase 2.21% of GDP. This shows that since joining AUKUS, Australia has slowly increased its Defense Budget. With this increase in the defense budget, Australia is trying to increase Australia's commitment to the Indo Pacific region, including the formation of the Pacific Support Team, the formation of the Army Mobile Training Team Engagement, holding Joint Head of Pacific events, holding 21 Guardian Classic Patriot Boats, and Continuation of sustainment and maintenance support through the Defense, Maritime Surveillance and Technical Advisers network, increasing maritime cooperation with Japan under the name Bushido Guardian, providing training facilities tied to a pact agreement with Singapore for the next 30 years, Collaborating with India through a Mutual Logistics Support Arrangement and a Defense Science and Technology Arrangement, as well as creating AUSINDEX in 2019 with India, which is an anti-submarine combat program between Australia and India. Apart from that, as a member of AUKUS which is the focus of the Indo-Pacific region, during 2020-2021 Australia has carried out various military missions to protect the Indo-Pacific region, in accordance with the objectives and direction of the established defense policy. These military missions include: 1) Operation Gteaway in East Asia, this operation is a surveillance operation in the South China Sea; 2) Operation Linesmen, this operation is a cooperative operation with South Korea to protect the Korean peninsula; 3) Operation ARGOS, this operation is an operation under UN command to monitor North Korea; 4) Enhanced DCP, is a counter-terrorist operation with the Philippines; 5) Operation Solania, a Pacific Ocean monitoring operation; 6) Surveillance operations in the Western Pacific are operations to increase security stability in the region (Australian Government Defence, 2020).

As a member of AUKUS, Australia is trying to increase its capabilities in the air domain (with a defense budget investment of 24%), Maritime domain (with a defense budget investment of 28%), and land domain (with a defense budget investment of 28%), and is currently being encouraged to increase capabilities in the cyber sector with updates to network and electronic-based military equipment. The Maritime domain is most prominent with its submarine program with the takeover of the National Naval Shipbuilding Enterprise. This includes

the acquisition of 12 Attack, Class Submarines, nine Hunter Class Frigates, and 12 Arafura Class, and Offshore Patrol Vessels. The nuclear submarine program worth 245 USD is the one that has attracted the world's attention the most. This submarine was initially a collaboration between Australia and France which was then terminated unilaterally by Australia, and the work was transferred to the UK and then by Australia when Australia was ready. To support this, funding, training, and transfer of information technology was carried out from the US and UK governments to the Australian government. In order not to be left behind by the other two members, Australia then spurred innovation in the industry by acquiring the Boxer Combat Reconnaissance Vehicles. This innovation is also to fulfill the 2018 Defense Industry Capabilities Plan which focuses on exports, where when the Defense Budget increases in 2020 Australia can immediately increase the value of "sovereignty of its defense industry" so that it can increase export value to 12th in 2020, from the previous position of 20th in 2019. In the future, Australia as a member of AUKUS wants to achieve defense industrial sovereignty by covering aspects 1) Collins Class submarine maintenance and technology upgrade; 2) Continuous shipbuilding program (including rolling submarine acquisition); 3) Land combat vehicle and technology upgrade; 4) Enhanced active and passive phased array radar capability; 5) Combat clothing survivability and signature reduction technologies; 6) Advanced signal processing capability in electronic warfare, cyber and information security, and signature management technologies and operations; 7) Surveillance and intelligence data collection, analysis, dissemination, and complex systems integration.; 8) Test, evaluation, certification, and systems assurance; 9) Munitions and small arms research, design, development, and manufacture; 10) Aerospace platform deep maintenance (Australian Government Defense, 2020).

## **CONCLUSION**

Australia increased its defense spending to strengthen its military capabilities in response to China's dominance in the Indo-Pacific region, which is reflected in its participation in AUKUS. This additional funding demonstrates Australia's commitment to strengthening its defenses. The country's vital role in maintaining regional peace is highlighted by its centrality in the region, economic stability, and active participation in defense partnerships. The emphasis on long-term defense goals, technical developments, and regional security shows Australia's proactive approach to navigating changing Indo-Pacific geopolitical challenges.

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