

Senate Foreign Relations Full Committee Hearing - AUKUS: A Generational Opportunity to Deepen Our Security Partnerships with Australia and the United Kingdom

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The following documents are included below:

- Testimony (as prepared) by The Honorable Jessica Lewis, Assistant Secretary, Bureau of Political Military Affairs, US Department of State
- Testimony (as prepared) by The Honorable Mara Karlin, Performing the Duties of the Deputy Undersecretary of Defense for Policy, Assistant Secretary of Defense for Strategy, Plans, and Capabilities, US Department of Defense
- Testimony (as prepared) by The Honorable Kin Moy, Principal Deputy Assistant Secretary, Bureau of East Asian and Pacific Affairs, US Department of State

AUKUS: A Generational Opportunity
Senate Foreign Relations Committee Hearing
September 6, 2023

Jessica Lewis, Assistant Secretary for Political-Military Affairs

Chairman Menendez, Ranking Member Risch, Honorable Members of the Committee,

Thank you for the opportunity to testify today. I'm delighted to be joined with my colleagues, Mara Karlin and Kin Moy. I'm excited to talk to you about the role of the State Department in AUKUS, one of the Biden-Harris Administration's hallmark national security and foreign policy initiatives.

One month ago, I was with Secretary Blinken and Secretary Austin as they met with their Australian counterparts in Brisbane. During our time in Australia, our leaders emphasized that AUKUS is poised to be a transformational initiative, perhaps our most consequential Indo-Pacific defense and security partnership in a generation. By modernizing our longstanding partnerships, AUKUS will help us meet the challenges of the future, strengthen our defense, enhance deterrence, and contribute to peace, security, and prosperity in the Indo-Pacific region and beyond. But make no mistake – the success of AUKUS is not predetermined, it must be carefully planned and implemented.

While AUKUS presents us with a generational opportunity, we also have a historic responsibility to get this right. We have already achieved remarkable momentum in the past two years, but there is more we

need to do. Today, I will start by laying out an AUKUS overview before discussing our plan to implement this partnership.

AUKUS Overview

AUKUS, as you know, involves two pillars: Pillar I – supporting Australia in acquiring conventionally armed, nuclear-powered submarines (SSNs), and Pillar II – trilaterally developing and providing joint advanced military capabilities.

Pillar I

Let me start with Pillar I. On March 13, 2023, President Biden, British Prime Minister Sunak, and Australian Prime Minister Albanese announced the optimal pathway to support Australia in acquiring conventionally armed, nuclear-powered submarine (SSN) capability at the earliest possible date. Modernizing Australia's submarine fleet will be a long-term, multi-decade undertaking, and the AUKUS partners are moving full steam ahead to implement this phased approach. This pathway delivers on our commitment to set the highest non-proliferation standard and reflects our longstanding leadership in, and respect for, the global nuclear non-proliferation regime. We continue to consult with the International Atomic Energy Agency (IAEA) to develop a non-proliferation approach that sets the strongest precedent for the acquisition of a nuclear-powered submarine capability.

Pillar I is a clear win for each of our countries – it will strengthen our defense capabilities and our underseas presence, bolster regional deterrence and stability, and create high-skill, high-paying jobs by investing in our submarine industrial bases. While I will let my

Department of Defense colleague elaborate on all we are doing to implement the optimal pathway, I would like to add that we welcome the opportunity to consult with Members on all AUKUS-related legislation and amendments, including the ship transfer legislation now before Congress.

Pillar II

As a historic security partnership, AUKUS will involve not only submarine cooperation, but also advanced and emerging capabilities that have the potential to revolutionize our defense—such as AI, hypersonics, quantum technologies, cyber, and more. Together with the collective power of our industrial bases, we will create a trilateral ecosystem that leverages the competitive and comparative advantages of each nation to strengthen our joint capabilities. The Administration will continue to engage Congress on legislation to meet the goals of Pillar II.

By investing in these alliances and our collective capacity, this partnership will make us all stronger and more stable. As a key line of effort in the Indo-Pacific strategy, AUKUS has the potential to be a transformational partnership that will pay dividends for decades to come, but we need to work together to make this a reality.

For AUKUS to succeed, we need to enable speedy, seamless, and secure technology and information sharing between our countries. Just as we are pooling technical expertise and industrial capacity, we are simultaneously enhancing our collective capacity to secure these technologies. Through AUKUS, the United States, United Kingdom, and Australia are deepening our longstanding cooperation on a range of

security and defense capabilities, and we are actively examining and streamlining our processes to optimize our defense trade and cooperation to make this partnership possible. Our three-part roadmap helps us thread the needle, promoting deeper cooperation while securing these critical technologies.

Our Roadmap for AUKUS

The Bureau of Political-Military Affairs is pursuing a three-part approach to implement AUKUS. First, we have shared a legislative proposal with Congress that would significantly streamline defense trade with the UK and Australia, building a foundation for the success of AUKUS. Second, we are innovating within our existing regulatory system to create an interim measure to accelerate the implementation of AUKUS. In addition, we are also working with our partners to create shared standards and reciprocity on our export controls.

The Administration provided Congress with a legislative proposal that would dramatically increase technology sharing between and among the AUKUS partners, and we are grateful to this Committee for ensuring that the substance of our proposal was included in the version of the National Defense Authorization Act passed by the Senate in July. We look forward to continuing to work with Congress during the upcoming conference process to secure this win for AUKUS.

The Department of State is also implementing a novel use of existing authorities to expedite and optimize technology sharing and defense trade among our AUKUS partners. The State Department's AUKUS Trade Authorization Mechanism, or ATAM, is an interim solution to streamline defense trade while we pursue broader changes. We have

begun engaging with the Committee on our interim mechanism and will continue to consult closely with Congress as we finalize our approach.

In conjunction with proposed legislative changes, the Administration will also work with our AUKUS partners on shared standards and reciprocity for our export controls. Securing our critical technologies is a three-way street, and we have already begun these engagements to move AUKUS forward.

Legislation

Legislation is at the center of our approach and let me start by thanking this committee and stating our strong support for this committee's bipartisan AUKUS export control legislation, which was passed by the Senate as part of the Defense Authorization bill. Let me also note that while my focus today is on the export control aspect of AUKUS, export controls are just one of four legislative proposals put forward by the Administration that are each critical to advancing this strategic partnership, as you will hear from my colleagues today. The Administration's legislative proposal regarding export controls, like AUKUS itself, is groundbreaking. This legislation will support the goals of AUKUS by providing a pathway for a range of license-free defense trade among Australia, the United Kingdom, and the United States, while retaining certain International Traffic in Arms Regulations – ITAR - requirements that help protect our most sensitive defense technology from re-export beyond the AUKUS partnership. It strikes the right balance, ensuring greater cooperation and innovation between our countries.

Let me highlight what this would mean in practice. The language incorporated in the Senate version of the NDAA would enable the license-free transfer of eligible unclassified and classified ITAR-controlled defense articles and defense services to eligible recipients. It would authorize eligible re-exports and re-transfers only between and among Australia, the United Kingdom, and the United States. It will take our scientific collaboration and defense trade to the next level to ensure AUKUS is not simply a security agreement, but a transformative partnership. To put it simply, most defense items will be able to move without needing a license from the State Department, and approved entities within the three countries will be able to move defense items, or re-transfer them, without needing a new authorization.

Building on some of our closest defense cooperation partnerships, we seek to facilitate unprecedented integration and responsible streamlining of our export control laws, regulations, policies, and processes. By clearing a path to new exemptions to licensing requirements for many areas of defense trade with the United Kingdom and Australia, we can open a door to swift and secure defense trade. This statutory language is a bold step forward in this direction, and we hope Congress will enact it in the final version of the NDAA. We look ahead to continuing our conversation with Congress to pass substantive legislation that will help us meet the ambitions of AUKUS.

*The State Department's AUKUS Trade Authorization Mechanism
(ATAM)*

While legislation is at the center of our AUKUS roadmap, we are already moving this partnership ahead. While Congress continues to work on legislation, we are working to implement a novel use of existing

authorities, the AUKUS Trade Authorization Mechanism, or ATAM, to facilitate the implementation of AUKUS. ATAM is an interim measure, allowing us to act in the near-term as we pursue bold changes to streamline defense trade of U.S. origin items between AUKUS partners.

Let me tell you more about the mechanics of this policy. ATAM will provide a more consistent framework for defense trade in support of AUKUS, covering Direct Commercial Sales (DCS) (private sector-to-government or private sector-to-private sector transfers) as well as some items that were previously sold as Foreign Military Sales (FMS) (government-to-government agreements) but will be available as DCS under ATAM. This mechanism relies on existing authorities, both to increase the speed and efficiency of defense trade while doing so in a way that is familiar, and therefore easier, for U.S. exporters and partners. This approach will help accelerate the speed and efficiency of FMS and DCS processes.

Together, the governments of the United States, the United Kingdom, and Australia will take three steps to implement this mechanism:

- First, identify the AUKUS programs. This will optimize operations and compliance, as both government and industry will have a clear understanding of which uses or programs are authorized under this mechanism.
- Second, identify which technologies are not eligible under this mechanism.

- Third, identify which communities or entities are approved within each country to receive or access these technologies. This will help reduce the likelihood of unauthorized diversion of sensitive defense technologies, and, if necessary, help investigations into any potential diversion.

Once finalized, exporters must check proposed transfers against these three basic and transparent criteria (programs, technologies, and authorized communities). Transfers beyond the United Kingdom or Australia, or transfer to a non-AUKUS program or a community not eligible to receive it, would require standard, non-ATAM authorization.

This mechanism will enable AUKUS partners to have many transfers free from the case-by-case approval and license review processes, while preserving the records that are necessary to conduct appropriate compliance checks, to follow up on any concerns of third-party exploitation, and to otherwise abide by the standard requirements for operating under any ITAR exemption.

The ATAM will offer an immediate solution to expedite and secure defense transfers of U.S. defense items for AUKUS projects, leveraging existing authorities to enable nimble defense trade and information sharing. It is a concrete step that will enable the trilateral partners to work together to chart the path forward even as we pursue broader legislative change to advance AUKUS. The legislation currently included in the NDAA would build on this progress, introducing a new authority and offering a transparent, predictable pathway for defense transfers to AUKUS partners without a license.

Developing Shared Standards and Reciprocity

Third, the Administration will also work closely with our AUKUS partners on shared standards for secure defense trade and reciprocity. AUKUS, at every level, involves a greater and deeper partnership between our countries. To meet the ambitions of AUKUS, we are working to synchronize our laws, policies, and processes to ensure that our scientific and industrial bases can collaborate while safeguarding our sensitive technologies.

We cannot do this alone – all three nations have a joint responsibility to safeguard these critical defense and security technologies, so we will work together to ensure that the export control frameworks within each of the three nations are consistent with those implemented by the United States. By increasing confidence in our security frameworks, we can facilitate unprecedented trade and integration with Australia and the United Kingdom. There is no daylight separating us on this issue – all AUKUS partners have agreed that we need to secure the gains of AUKUS to maximize the benefits of this partnership. I welcome Australia’s recent announcement that it will be reviewing its existing export control law as part of this process. Developing consistent standards across our three nations is central to this strategy, and it is more important than ever. In this era of strategic competition, a calibrated approach to export controls is vital to ensure we stay ahead and maintain the technological momentum our nations achieve.

We are also working with our Australian and British counterparts to ensure equal opportunity and access for American firms and workers within AUKUS efforts, in alignment with our respective domestic regulations and international trade obligations.

We all have a stake in the success of AUKUS, and we look forward to seeing this through together. Australia and the United Kingdom are two of our closest allies, and we are proud to stand shoulder-to-shoulder as we strengthen our longstanding alliances and implement this historic partnership. And I look ahead to working with this Committee and Congress to promote agile and secure defense trade and cooperation between, and among, the AUKUS partners.

Conclusion

AUKUS is a major step forward in advancing our vision of a free and open Indo-Pacific. By modernizing our partnerships and deepening our diplomatic, security, and defense cooperation, we can promote security and prosperity not just in this critical region, but across the globe. AUKUS is a transformational partnership, but we need to get this right.

For this partnership to achieve seamless and secure defense trade, our cooperation will need to go deeper, including integrating elements of our defense industrial bases, as we research the technologies of the future and build cutting-edge military tools to keep our people safe. This cooperation is a vote of confidence in these relationships and will require concerted work from us and our allies to ensure that our systems enable it to move quickly, while also sustaining security guardrails and protections to safeguard these critical systems and the benefits yielded by this agreement.

There is more work to do, and we are confident that we will succeed. Our approach will help us act swiftly and decisively – by expediting defense trade in the short-term under existing authorities while

simultaneously seeking farther-reaching reforms through legislation and shared standards and reciprocity to streamline our processes.

In closing, AUKUS presents a generational opportunity to bind our countries closer together, reinforcing our collective diplomatic, economic, technological, and military strength and empowering us to meet the challenges of the 21st century. As a critical partnership, AUKUS will benefit our countries, our economic strength, and our national security for generations to come.

I want to thank the Committee for your steadfast, bipartisan support for AUKUS, and for your role in making this partnership possible.

Thank you, and I look forward to your questions.

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**STATEMENT BY
DR. MARA E. KARLIN
BEFORE THE 118th CONGRESS
SENATE FOREIGN RELATIONS COMMITTEE
SEPTEMBER 06, 2023**

Chairman Menendez, Ranking Member Risch, and distinguished Members of the Committee – thank you for the opportunity to speak with you today on the AUKUS partnership, which is an unprecedented and generational opportunity to deepen our security partnerships with two of our closest allies. I want to thank this Committee for its broad bipartisan support for AUKUS - it is vital to ensure AUKUS delivers on the promise of this opportunity.

I am honored to testify today, as we approach AUKUS' two-year anniversary. In September 2021, the leaders of Australia, the United Kingdom, and the United States announced this enhanced trilateral security partnership. In the two years since that announcement, we identified the Optimal Pathway to support Australia acquiring conventionally-armed, nuclear-powered submarines (SSNs). Beyond this, we are pursuing cooperation under AUKUS on a range of advanced defense capabilities such as artificial intelligence and autonomy, quantum technologies, hypersonic and counter-hypersonic capabilities, and undersea warfare technologies, among others.

Today, I hope to reinforce three main topics as they relate to AUKUS, building on what I conveyed to the House Foreign Affairs Committee in May: (1) how AUKUS fits into the 2022 National Defense Strategy; (2) how we are seizing the generational opportunity AUKUS presents; and (3) why we need to expand defense cooperation with our closest allies and partners.

The 2022 National Defense Strategy describes the People's Republic of China (PRC) as our most consequential strategic competitor for the coming decades and underscores the importance of new and fast-evolving technologies to meet the shifting global security environment.

The National Defense Strategy also describes integrated deterrence as a holistic response to the strategies that our competitors are pursuing and calls for the use of campaigning to gain military advantage. It calls on the Department of Defense to build enduring advantages across the Defense ecosystem to shore up our

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foundations for integrated deterrence and campaigning – and describes allies and partners as a center of gravity for the strategy. I reinforce to you today that we cannot do this alone and AUKUS partners stand with the United States – as they have for decades.

What is needed now more than ever before is an approach that enhances our AUKUS partners’ conventional military capabilities, enables a more integrated, capable, and resilient defense industrial base; increases information-sharing, and implements cooperative policies that reflect and realize the concepts laid out in both the National Security Strategy and National Defense Strategy.

Through Pillar I of AUKUS, the United States, United Kingdom, and Australia have committed to conduct naval nuclear propulsion cooperation in a manner that is fully consistent with our respective legal obligations and that sets the highest non-proliferation standard. The Optimal Pathway to deliver on this commitment was announced in March 2023 and is the result of an eighteen-month consultation period. AUKUS partners are building a resilient framework that will benefit future generations and our teams have been clear-eyed from the beginning that this monumental vision requires an accompanying monumental effort. The Optimal Pathway is a blueprint for how we reach those goals, and we are moving out swiftly. Since the announcement of the Optimal Pathway in March of this year, three Australian officers have graduated from U.S. Nuclear Power School and the *USS North Carolina* conducted the first port visit under our commitment to increase rotations of nuclear-powered attack submarines (SSNs) to Australia. These milestones mark our commitment to this effort, but we know there is still much to be done and we look forward to collaborating with Congress to ensure we have the statutory authorities in place to execute this important work.

Through the AUKUS Advanced Capabilities line of effort, also referred to as Pillar II, we are enhancing cooperation in other critical military capabilities. We are also reviewing and revising our policies and processes to enable our defense innovation enterprises and industry to work more closely to deliver cutting-edge military capabilities to each country under a more inter-connected innovation ecosystem.

In April, under the auspices of the Artificial Intelligence Working Group, we trilaterally demonstrated the joint deployment of AI-enabled assets in a collaborative swarm to detect and track military targets in a real-time. Other Working Groups such as those focused on Cyber, Electronic Warfare, Quantum Science, and Undersea Warfare have been making steady progress with an eye

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toward capabilities that will aid current and future warfighters. We have also begun a dialogue with partners in defense industry, both nationally and trilaterally, to identify opportunities to bring together public and private sector expertise to enhance our efforts.

Through collaborative investment in high-end capabilities, we are ensuring our ability to maintain a free and open Indo-Pacific – one where states can choose their own paths free from coercion. Pillar II provides a unique opportunity to strengthen the U.S. defense industrial base while also improving the advanced military capabilities of two countries who have stood shoulder-to-shoulder with the United States for more than 70 years. Let me underscore that over time, the work we do will advance our own capabilities and those of our allies, and will enable us to better address the challenges that we will collectively face.

As I stated before the Senate Foreign Relations Committee last March, the U.S. network of alliances and partnerships is a strategic advantage that competitors cannot match. Preparation for future conflicts – or deterring them from occurring in the first place – will rely on our ability to expand and enhance military partnerships. Maintaining this vital network requires an active, whole of government approach.

AUKUS has provided a lens into not only what military capabilities our closest allies need, but also what barriers exist that hamper pursuit of our national security strategy, and how we need to adapt our approach to meet our national security objectives. U.S. business is one of the strongest and most resilient assets in the national security toolkit, but we need to widen the aperture, foster collaborative defense innovation, advance military interoperability with our closest allies and partners, and leverage our collective strengths as a force multiplier.

Implementing AUKUS requires robust, novel information-sharing and technology cooperation. We are committed to cooperation that will leverage the advancements and expertise within the private sector and create opportunities for greater collaboration and integration while strengthening our security regimes. We have been fortunate to have great partners in the Departments of State and Commerce who are working with us to ensure we create an enabling environment that securely streamlines and promotes deeper cooperation.

We appreciate the continued support of Congress to enable to us accomplish these critical objectives. As you're aware, there are four areas in which the Administration requires Congressional action to facilitate implementation of this

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generational opportunity. First, the Optimal Pathway requires ship transfer legislation to authorize the U.S. to sell Virginia-class submarines to Australia as an interim capability before SSN-AUKUS comes online. Second, we need legislation to allow us to accept Australia's historic investment into the U.S. Submarine Industrial Base through financial contributions. Third, to move out on training Australia's submarine workforce, we require legislation to allow the U.S. Government to coordinate submarine workforce training with Australian private sector entities. Finally, we request legislation to enable export licensing exemptions, supporting defense trade that would facilitate the goals of AUKUS, and raise our collective standards to protect the critical technologies that provide U.S. forces with warfighting advantages. We appreciate the efforts of Congress to advance these efforts.

We have reached a point in the global security environment and technology landscape where there is not only a benefit, but an imperative, to expand our defense technology-sharing practices. AUKUS will lead to a more integrated defense ecosystem among the AUKUS nations that counterbalances the threats of strategic competition by harnessing the strengths of our collective capabilities. We cannot accomplish this without your critical support of these legislative actions.

Mr. Chairman, and distinguished Members of the Committee – thank you for the opportunity to meet with you today and I look forward to answering any questions you may have.

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OPENING STATEMENT

KIN MOY

**PRINCIPAL DEPUTY ASSISTANT SECRETARY
BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS
U.S. DEPARTMENT OF STATE
SENATE FOREIGN RELATIONS COMMITTEE
September 6, 2023**

Chairman Menendez and Ranking Member Risch, thank you for the opportunity to testify before you today.

Almost two years ago, President Biden, alongside the leaders from Australia and the United Kingdom, announced the creation of an enhanced trilateral security partnership, or “AUKUS.” AUKUS is a modernization of our longstanding partnerships with Australia and the UK to address the security challenges of the future, and support peace, prosperity, and stability in the Indo-Pacific and beyond. AUKUS deepens our diplomatic, security, and defense cooperation in line with President Biden’s vision of working with our partners and allies to solve global challenges. AUKUS enhances the United States’ security, that of our allies and partners, and contributes to global peace and security.

Since its announcement, much work has been done to actualize this commitment. On March 13, President Biden, Australian Prime Minister Albanese and UK Prime Minister Sunak announced the optimal pathway for Australia to acquire conventionally armed, nuclear-powered submarines. AUKUS partners are pursuing a multi-phased approach over the coming decades with the goal to deliver the submarine capability to Australia at the earliest possible date. Under Pillar II of the partnership, we continue to scope a variety of advanced capabilities and ensure that our defense export systems are prepared to meet this challenge. These commitments have critical implications for our foreign policy and national security.

AUKUS is a critical element of our efforts to advance implementation of the U.S. National Security, Defense, and Indo-Pacific strategies, with the goal of

advancing a free and open, connected, secure, resilient, and prosperous Indo-Pacific. AUKUS supports our shared vision of a world that is stable and prosperous, where countries thrive, trade, and collaborate to address shared challenges, and where all countries are empowered to make their own sovereign decisions free from coercion. A free and open Indo-Pacific region is vital to global security and prosperity, which is why we must deepen cooperation now. Like our other partners across the Atlantic and Indo-Pacific, AUKUS partners understand the critical role the region plays in global trade and global prosperity. Economic growth and prosperity require stability, and predictability – conditions that AUKUS seeks to undergird through enhanced deterrence and security.

Our alliances and partnerships have played a foundational role in contributing to peace and prosperity in the Indo-Pacific for the last 70 years. AUKUS is a concrete commitment to strengthening these partnerships by integrating our partners in Europe and Asia together, recognizing that our world is increasingly interconnected and that the security of all the world's regions – and our security here at home – are all inextricably linked. It reflects the critical role that both our European and Indo-Pacific partners will play in supporting our shared vision for enhancing peace and security in the Indo-Pacific and around the world.

AUKUS will bolster the security of the United States, both through the development of cutting-edge defense and security capabilities, but also by ensuring our allies are best positioned to contribute to their own security and our shared interests as they continue to modernize their military capabilities. AUKUS is more than submarines and defense projects. It is a generational commitment to working with two of our closest Allies to strengthen security cooperation to meet the many multifaceted challenges of the future. It is also an unparalleled opportunity to boost the defense capabilities, industrial bases, and economies of all three nations, while increasing investment and economic prosperity here at home. It will bring together our sailors, our scientists, and our industries to showcase the best of American ingenuity and technology, along with that of our allies.

With the optimal pathway now set, the hard work of implementation begins. The size, scope, and complexity of actualizing this partnership cannot be understated or assumed, and work must advance now to deliver a capability to meet the moment as the international security environment continues to rapidly change.

For AUKUS to succeed, it will take the full support of the U.S. government, Congress, and the American worker, working alongside the same constituencies in both Australia and the UK. The continued, bipartisan support of Congress is critical. Passing relevant U.S. AUKUS legislation is not only needed to enable progress, but also to send a critical message that will be received around the world: to U.S. industry to provide assurance to plan and succeed; to our two closest allies, Australia and the UK, to demonstrate that we stand together as we advance an irreversible plan to bolster joint security; to our other allies and partners around the world, demonstrating that the United States delivers on its commitments; and to our adversaries and competitors to demonstrate the seriousness of our intent and resolve to maintain continued international peace and prosperity.

Thank you for your support and consideration.