



Australian Government
Department of Defence

FACT SHEET

AUSTRALIA US TREATY ON DEFENSE TRADE COOPERATION

The Australia-United States of America (US) Treaty on Defense Trade Cooperation will provide greater access and sharing of equipment, technology, information and services between the two countries.

It is a significant step forward in the defence relationship between Australia and the US. The US currently only has a similar agreement with the United Kingdom.

The treaty will permit the licence-free export of defence goods and services between the Australian and US Governments and Australian and US companies that meet security and regulatory requirements.

For Australia, the Treaty will significantly reduce delays in acquiring in-service support for US defence equipment by eliminating lengthy licencing processes, reduce lead times before Australian and US companies can discuss potential business opportunities, and allow early access to US technical data and technology for consideration during the Defence Capability development process.

2361 licences and 312 agreements were approved by the US for Australia in 2006. The removal of the requirement for the approval of licences or agreements will create significant cost and time savings for Government and industry.

The Treaty creates a comprehensive framework for two way trade between Australia and the United States in defence articles, including equipment, spare parts, services and related technical data, within an 'approved community' of government facilities and private companies in the United States and Australia without the need for licences. Eligible exports will include exports for:

- Mutually determined security and defence projects where the Commonwealth of Australia is the end-user;
- Cooperative security and defence research, development, production and support programs; and
- Combined military or counter-terrorism operations.

The treaty will provide:

- operational benefits from greater access to US capability for sustainment and support;
- improvements to capability development due to earlier access to US data and technology;
- cost and time savings from significant reductions in the number of licences, required for export of Defence equipment; and

- improved access for Australian companies involved in bidding on US defence requirements, or in supporting US equipment in the ADF inventory.

Implementing agreements will be finalised over the coming months. Each country will also need to complete processes under their respective domestic laws to bring the treaty into force.

The ‘Approved Community’

The approved community will include the Australian and US Governments and companies in both countries that have been qualified to receive licence-free exports under the Treaty.

The details of the qualification program, including the qualification criteria, have still to be mutually determined.

Security

Australian defence companies in the approved community will need to meet the required accreditation and compliance standards.

Accreditation standards include areas that are currently the subject of existing arrangements such as facility clearance, business history, export licencing and compliance record and relationships to countries of concern.

Legislation

The creation of an approved community will require changes to legislation to ensure that export control and security are sufficiently robust to ensure that sensitive technologies and data are not provided outside of the approved community.

Key legislation that may require amendments are the *Customs Act 1901*, *Customs (Prohibited Exports) Regulations 1958* and *Weapons of Mass Destruction (Prevention of Proliferation) Act 1995 (WMD Act)*.

FACT SHEET FOR INDUSTRY

What does this mean for me as a Prime Contractor?

The Treaty will enhance business opportunities because Australian and US companies will be able to share technical data without the need for an export licence. This will eliminate the lead-time before Australian and US companies can discuss potential business opportunities or capability solutions for Australian or US defence requirements.

The ability of Australian companies to compete for work in US global supply chains is also likely to improve. In the longer term the treaty could encourage US firms to see their Australian subsidiaries as ‘natural’ industrial partners in the region.

The Treaty could also offer enhanced opportunities for Australian companies to bid for support work for equipment Defence acquires through the US Foreign Military Sales (FMS) program. Out-sourcing of FMS equipment support is currently slowed down by the need to gain State Department approval for retransfers. The current average time to gain a retransfer approval is about 12 months. Under the Treaty retransfer of equipment and data purchased under the FMS program will be possible without prior approval by State Department.

What does this mean for me as an SME?

Apart from the benefits outlined above (which are likely to be shared by SME's), the Treaty could also encourage smaller US companies to enter the export market, enhancing the opportunities for smaller Australian companies to team with US firms of a similar size.

What does this mean to me as an Exporter?

The Treaty will make it easier for you to discuss potential export opportunities to meet US defence requirements or to team with US industry partners. The Treaty is also expected to improve the ability of Australian companies to compete for work in US global supply chains.

In the longer term the treaty could encourage US firms to see their Australian subsidiaries as 'natural' industrial partners in the region – opening the door for additional Australian export opportunities.