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# Australia Defense Market Overview

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## I. Australia Defense Market Overview

### a. Australia Economic Snapshot

Following two decades of continuous growth, low unemployment, contained inflation, very low public debt, and a strong and stable financial system, Australia entered 2018 facing a range of growth constraints, principally driven by the sharp fall in global prices of key export commodities. Demand for resources and energy from Asia and especially China is growing at a slower pace and sharp drops in export prices have impacted growth.

The services sector is the largest part of the Australian economy, accounting for about 70% of GDP and 75% of jobs. Australia was comparatively unaffected by the global financial crisis as the banking system has remained strong and inflation is under control.

Australia benefited from a dramatic surge in its terms of trade in recent years, although this trend has reversed due to falling global commodity prices. Australia is a significant exporter of natural resources, energy, and food. Australia's abundant and diverse natural resources attract high levels of foreign investment and include extensive reserves of coal, iron, copper, gold, natural gas, uranium, and renewable energy sources. A series of major investments, such as the US\$40 billion Gorgon Liquid Natural Gas Project, will significantly expand the resources sector.

Australia is an open market with minimal restrictions on imports of goods and services. The process of opening up has increased productivity, stimulated growth, and made the economy more flexible and dynamic.

Source: [CIA World Factbook](#)

### b. Australia Defense Market Summary

Australian defense expenditures recorded a CAGR of 0.28% during the period 2013 to 2017, from US\$26.2 Billion in 2013 to US\$26.5 Billion in 2017. Modernization initiatives and advanced equipment procurement programs - as outlined in [the white papers](#) published by the Australian Department of Defence (DoD) - will drive expenditure.

The country is expected to undertake several modernization and procurement programs over the coming decade. Participation in several UN peacekeeping operations will also fuel the country's defense expenditure, propelling the budget from US\$27.5 Billion in 2016 to US\$35.4 Billion in 2022, at a CAGR of 6.54%. During the historic period, other expenditures - which comprises intelligence capabilities, chief operating officers, defense support and reforms, chief information officers, science and technology - accounted for 41.6% of the total defense budget and valued at US\$10.90 Billion in 2017. It will average 44.0% over the forecast period.



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Due to security threats from terrorist organizations and the deployment of troops in overseas peacekeeping missions, Australia will focus on the acquisition of multirole aircraft, helicopters, nuclear attack submarines, patrol ships, frigates, and armored vehicles.

The preferred entry route for most foreign OEMs looking to enter the Australian defense market has been to establish a subsidiary or to acquire a domestic firm. Increasingly, foreign OEMs are entering the market by sub-contracting business to the domestic industry or entering into a foreign direct investment (FDI) scheme. In recognition, the DoD launched a scheme rewarding those defense suppliers that maintain a successful relationship with the Australian Defense Organization.

Source: [ReportLinker.com](http://ReportLinker.com)

In 2007, Australia and the United States ratified the Australia-United States Defence Trade Cooperation Treaty. The treaty is a significant step forward for practical defense and trade cooperation between Australia and the United States. The treaty provides:

- 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 licenses, 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.

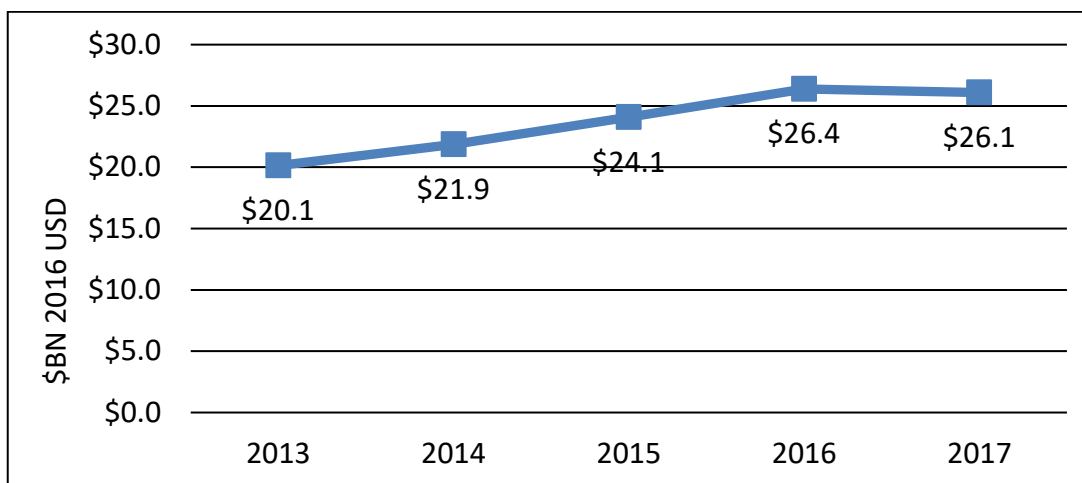
Source: [Department of Foreign Affairs and Trade, Australian Government](http://Department of Foreign Affairs and Trade, Australian Government)

The [Australia Department of Finance](http://Australia Department of Finance) is responsible for the acquisition of all government and defense purchases. Their website, <https://www.tenders.gov.au/>, lists all current business opportunities, annual procurement plans, and contracts awarded.

A useful link for guides on how to sell to the Australian government along with other information can be found on [sellingtogov.finance.gov.au](http://sellingtogov.finance.gov.au).



**AUSTRALIA MILITARY EXPENDITURES (2013 TO 2017)**



Source: [SIPRI](#)

**c. U.S. Defense Exports to Australia**

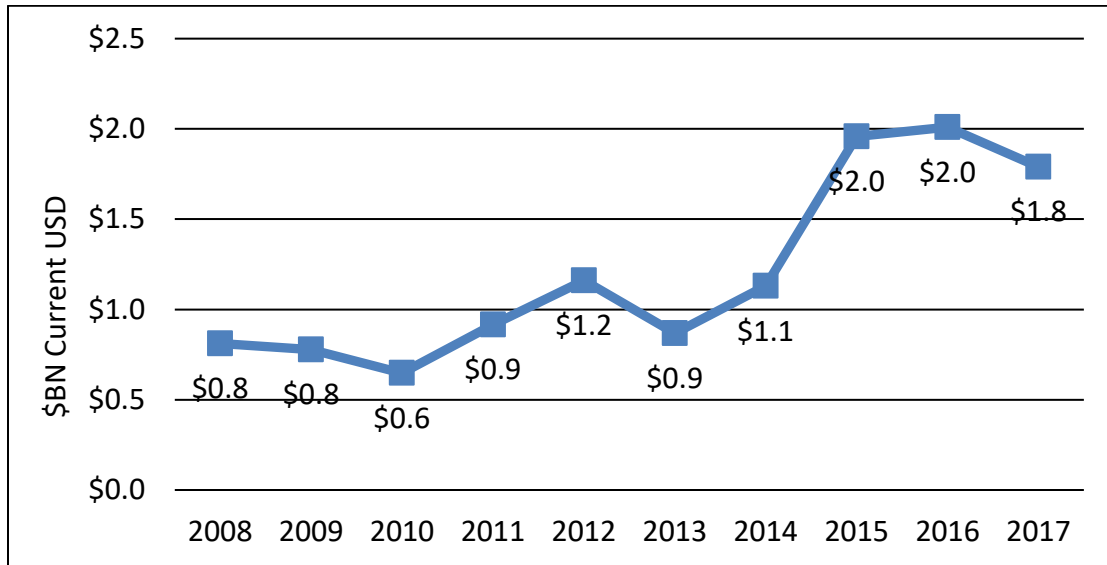
**TOP 10 U.S. DEFENSE EXPORTS TO AUSTRALIA**

Codes	Description	ANNUAL 2015	ANNUAL 2016	ANNUAL 2017
	TOTAL ALL COMMODITIES	1,958,510,328	2,009,622,924	1,789,426,611
880230	Airplane & A/C Unladen Wght > 2000, Nov 15000 Kg	2,460,000	0	539,579,448
880330	Parts Of Airplanes Or Helicopters, Nesoi	659,016,887	493,459,978	450,745,909
980320	Exports Of Military Equipment, Not Identified	62,425,896	108,738,508	140,619,897
930690	Bomb Mines Ot Ammntion Projctions Etc And Parts	91,674,952	228,953,520	136,382,141
880240	Airplane & Ot A/C, Unladen Weight > 15,000 Kg	515,707,756	63,299,128	126,598,256
880521	Air Combat Simulators And Parts Thereof	2,071,045	20,733,325	90,931,122
841182	Gas Turbines Of A Power Exceeding 5,000 Kw	170,915,231	81,673,543	63,718,708
930591	Parts & Accessor. Of Military Weapons Of Head 9301	12,488,289	11,013,862	37,439,374
841199	Gas Turbine Parts Nesoi	50,777,725	50,819,019	35,465,032
841112	Turbojets Of A Thrust Exceeding 25 Kn	1,500,000	12,642,514	35,120,417

Source: WISERTrade, data from the U.S. Census Bureau Foreign, Trade Division. All figures are in USD.



**TOTAL US DEFENSE EXPORTS TO AUSTRALIA (2008 TO 2017)**



Source: WISERTrade, data from the U.S. Census Bureau, Foreign Trade Division.

**d. Maine Defense Exports to Australia**

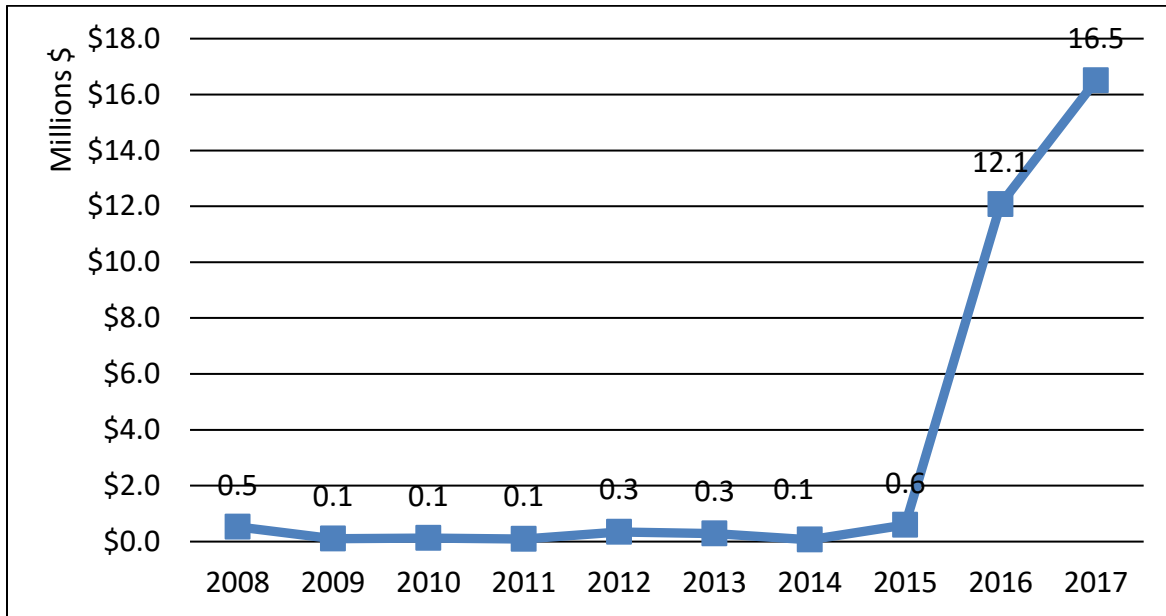
**TOP MAINE DEFENSE EXPORTS TO AUSTRALIA**

Codes	Description	ANNUAL 2015	ANNUAL 2016	ANNUAL 2017
	TOTAL ALL COMMODITIES	591,565	12,073,807	16,498,170
930120	Rkt Launch., Flamthrow, & Sim. Projectors(Military)	527,735	11,084,657	12,414,816
930591	Parts & Accessor. Of Military Weapons Of Head 9301	49,044	989,150	4,078,250
840910	Parts For Aircraft Engines (Sp-Ign, Rot Or Comp)	0	0	5,104
841191	Turbojet And Turboproller Parts	14,786	0	0

Source: WISERTrade, data from the U.S. Census Bureau, Foreign, Trade Division.



TOTAL MAINE DEFENSE EXPORTS TO AUSTRALIA (2008 TO 2017)



Source: WISERTrade, data from the U.S. Census Bureau Foreign, Trade Division.

## II. Opportunities for Defense Trade in Australia

### a. Major Defense Sectors in Australia

The [Australia Defence White Paper \(2016\)](#) outlines the Australian government’s plan to modernize their defense forces and capabilities. To develop the future force, the White Paper outlines several different sectors that will be the priority for future Australian defense procurement.

#### Intelligence, Surveillance and Reconnaissance

The Australian government will make a substantial new investment to strengthen Defence’s intelligence, surveillance and reconnaissance capabilities. This includes upgrading their current air defence network (including the Vigilair air surveillance system and the Jindalee Operational Radar Network) and introducing new, modernized all-source intelligence systems supported by enhanced information processing capabilities. The Australian government will increase the capacity of their defense force to monitor the approaches to Australia with the P-8A Poseidon maritime surveillance and response aircraft and the high altitude MQ-4C Triton unmanned aircraft. Short-range maritime tactical unmanned aircraft will be acquired to improve the situational awareness of our ships on operations.

#### Space

Space-based systems for intelligence collection, communications, navigation, targeting and surveillance play a vital role in all ADF and coalition operations. The Australian defense force’s imagery and targeting



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capacity will be enhanced through greater access to allied and commercial space-based capabilities, strengthened analytical capability and enhanced support systems. Enhancements to their imagery capacity will provide the basis to further develop their intelligence, surveillance and reconnaissance capabilities in the longer term, including through potential investment in space-based sensors.

### **Cyber Security**

The Australian government will strengthen Australia's Defense Force cyber capabilities to protect itself and other critical Australian government systems from malicious cyber intrusion and disruption. Enhancing the resilience of Defence networks, including networks used by our deployed forces, and the capability of the Australian Cyber Security Centre are key areas of focus in strengthening Australia's cyber defenses. This will include considerable new investment in strengthening the cyber workforce, including new military and APS positions and training programs.

### **Submarines**

The Australian government will increase the size of the submarine force from six to 12 boats. The doubling in size of the submarine fleet recognizes that Australia will face a more challenging maritime environment in the decades ahead. Australia's new submarines will be supported by upgrades to enablers and facilities such as wharves and port facilities, as well as simulators, training and submarine rescue systems. The key strategic requirements for the future submarines include a range and endurance similar to the Collins Class submarine, sensor performance and stealth characteristics which are superior to the Collins Class, and upgraded versions of the AN/BYG-1 combat system and Mark 48 MOD 7 heavyweight torpedo jointly developed between the United States and Australia as the preferred combat system and main armament. The new submarines will have advanced communications systems to link with other Navy ships and aircraft to conduct anti-submarine warfare operations

### **Maritime Aviation**

Eight P-8A Poseidon maritime surveillance and response aircraft will be introduced in the early 2020s, with seven additional aircraft to be acquired in two tranches to bring the total to 15 aircraft by the late 2020s. These aircraft have a range of over 7,500 kilometers and can be refueled in the air by Australia's KC-30A air-to-air refueling aircraft, extending their range even further. In addition to being able to undertake sophisticated surveillance operations at great distances, the P-8A can undertake offensive operations against submarines and ships, as well as supporting search and rescue operations.

### **Strike and Air Combat**

The Australian government will increase investment in capabilities to better connect the communications, sensor and targeting systems of various Australian Defense Force platforms, including the Joint Strike Fighters, Wedgetail, Hobart Class Air Warfare Destroyers and Growlers. Being able to quickly exchange information, such as the location of threats, means their forces can combine its





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already potent individual capabilities more effectively during joint operations – generating greater combat weight and lethality. To enhance the defenses of their deployed forces against attacks, new deployable short-range ground-based air defence weapons will enter service by the early 2020s to replace the existing RBS-70 system. New medium-range ground-based air defence weapons will be acquired in the mid to late 2020s to help protect valuable assets, including deployed airfields and command centers.

## **b. Opportunities for Maine Defense Exporters**

Every Maine business active in the defense sector and looking to pursue international business opportunities should include Australia on its shortlist of potential export markets. Australia has a ten-year, USD145 billion acquisition strategy supported by allocated funding; a strong preference for U.S. technology based around an operational focus on interoperability with the U.S. military; and is a close U.S. ally offering the additional diverse benefits of being a strong democracy based on the rule of law; IP protection; familiar business practices; English language; and a well-established American Chamber of Commerce.

American companies also have the in-country support of U.S. export promotion agencies – specifically the U.S. Commercial Service with an aerospace and defense/marine/safety and security specialist based in the U.S. Embassy in Canberra, along with a uniformed team at the Office of Defense Cooperation, also located in the U.S. Embassy, tasked with facilitating U.S. solutions for a range of Australian defense projects.

### *Opportunities for Maine Companies:*

- Naval Shipbuilding
  - In 2017, the Australian government reported that it is investing around \$90 billion in new naval ships and submarines, more than \$1 billion in modern shipyard infrastructure; and up to \$62 million in workforce growth and skilling initiatives to enable the delivery of these platforms.
  - Maine has a history of boatbuilding and some companies already supply the U.S. navy with marine and boat equipment. Maine companies that engage in the U.S. Marine defense industry sector should look to Australia to supply materials, components, and parts for their ship investment.
- Submarines
  - Australia has committed to investing around AUD90 billion (USD70 billion) in the rolling acquisition of new submarines, and the continuous build of major ships such as future frigates, as well as minor naval vessels. Maine companies have an opportunity to be a subcontract or component supplier for these submarine vessels.

[Source: Export.gov](https://www.export.gov)



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For more projects and opportunities, visit: <http://www.defence.gov.au/dmo/equippingdefence/> for a list of other procurement opportunities for Maine businesses. These opportunities are more specific and offer guidelines as to how to obtain the contract.

### III. Regulatory Environment

#### a. U.S. Controls on Defense Exports to Australia

There are two primary regulatory bodies that administer US export control laws for defense or military-related products and services.

1. The Department of State Directorate of Defense Trade Controls (DDTC) administers the **International Traffic in Arms Regulations (ITAR)** 22 C.F.R. §§ 120-130, which controls items considered defense articles and services.
2. The Bureau of Industry and Security (BIS) in the Department of Commerce administers **the Export Administration Regulations (EAR)** 15 C.F.R. §§ 730-774, which controls purely civilian items, items with both civil and military, terrorism or potential WMD-related applications, and items that are exclusively used for military applications but that do not warrant control under the ITAR.

Licensing and other export certification requirements for exporting a military-related product (or service), are dependent upon the item's technical characteristics, the destination, the end-user, and the end-use. You, as the exporter, must determine whether your export requires a license. When making that determination consider:

What are you exporting? Where are you exporting? Who will receive your item? What will your item be used for?

You must first determine which regulatory jurisdiction your product or service falls under before you can export. To do this, follow these steps:

1. Use the [U.S. Munitions List \(USML\)](#) to identify products or services that fall under ITAR jurisdiction.
2. Use the [Commerce Control List \(CCL\)](#) to identify products or services that fall under EAR jurisdiction and require a license. If the item is not on the CCL it still may fall under EAR jurisdiction; please consult [§ 734.2 Scope of the EAR](#) for further guidance.
3. If you are unsure if the desired export falls under the USML or CCL you can file a [Commodity Jurisdiction](#) request through the DDTC or you can file a [Commodity Classification](#) request through the BIS using SNAP-R.

Failure to comply with ITAR can result in civil fines as high as \$500,000 per violation, while criminal penalties include fines of up to \$1,000,000 and 10 years imprisonment per violation. Under EAR, maximum civil fines can reach \$250,000 per violation. Criminal penalties can be as high as \$1,000,000 and 20 years imprisonment per violation. Additionally, the United States has limited or banned the



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export of some defense products and services to specific countries. It is important to know whether the export of the product or service to a specific country is legal.

## **b. Australia Controls on Defense Imports**

The Australian Customs Service regulates the movement of goods and people across the Australian border. There is no requirement for companies or individuals to hold an import license to import goods. However, depending on the nature of the commodity, and regardless of value, owners may need to obtain permits to facilitate clearance of goods. Exporters should reference [www.customs.gov.au](http://www.customs.gov.au) if they have any questions as to whether their product requires a permit.

Defense items most likely have additional regulations and requirements. It is advised that you contact the Customs Information and Support Centre which can provide advice and information on specific queries and can be contacted on +61 2 9313 3010 or by email at [information@customs.gov.au](mailto:information@customs.gov.au). Or, reach out to Defense Industry Maine and we will be able to assist you in researching the required regulations for exporting your defense related product or service to Australia.

The website also provides listings of prohibited goods, which cannot be imported into Australia under any circumstances, and restricted goods, which require written permission for importation ([www.customs.gov.au/site/page4369.asp](http://www.customs.gov.au/site/page4369.asp)).

For more information, see the “Steps to Export Defense Items” guide in the Trade Resource page on the Defense Industry Maine website.

## **IV. Business Etiquette**

Australians are generally direct in their business dealings. They are not overly formal and typically conduct business on first-name basis after an initial introduction. Australia is a very egalitarian society and people consider it arrogant to draw attention to academic or professional achievements. Likewise, company structure is generally flat, and little visible distinction is made to company hierarchy.

Companies considering entering the Australian market should conduct an in-country visit. Given the geographic distance between the US and Australia, Australian companies appreciate visits by US companies which demonstrate they are committed to the market. However, you should avoid visiting from mid-December to the end of January and at Easter, as many people are on vacation and companies work with a skeleton staff.

When conducting meetings (whether in country or by phone) punctuality is very important. It is also essential to follow up in a timely manner which will further demonstrate your commitment to the market.

Making “small talk” is a general practice before opening business discussions; however, as in the US, it is best not to bring up sensitive topics such as politics or religion. It is also best not to discuss aspects of



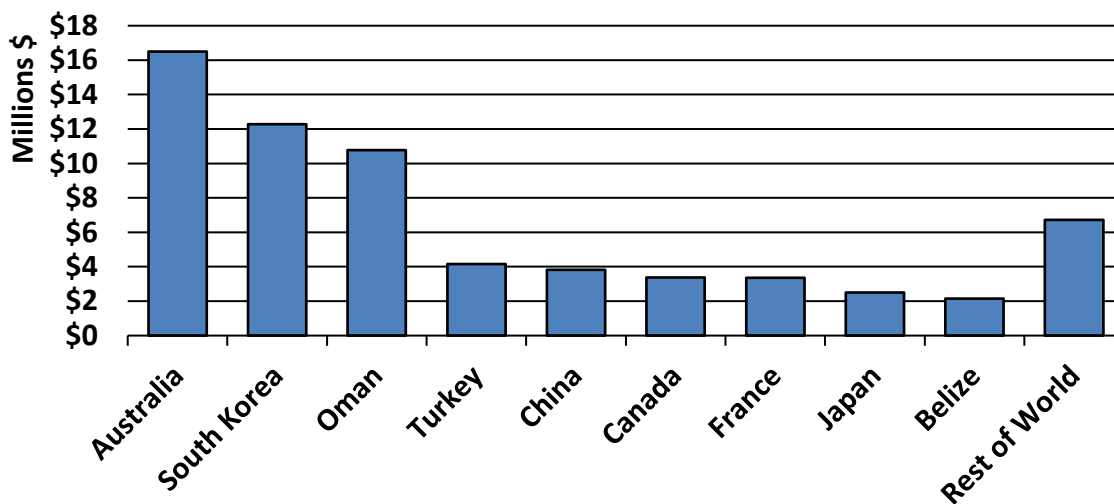
your personal life, as Australians highly value privacy. In negotiations Australians appreciate openness and directness. Aggressive sales techniques are generally not well received.

Source: [Australia Defense Industry Report, PA DECD](#)

## V. Conclusion and Recommendations

Australia continues to be a strong international defense market for U.S. companies and in 2017, it was the top country for Maine defense exports; just over \$16 million worth of defense-related goods and services exported from Maine to Australia.

**2017 Maine Defense Exports by Destination Country**



Source: WISERTrade, data from the U.S. Census Bureau Foreign, Trade Division.

Maine companies looking to enter the defense market in Australia have many opportunities they can take advantage of, particularly in the marine and naval boatbuilding industries.

DIME recommends that Maine companies interested in doing defense business in Australia attend trade shows and reach out to defense associations located in Australia to gain brand awareness and to start developing relationships with key personnel in the Australian defense industry.

Maine defense companies must be particularly mindful about exporting their products and be aware of all ITAR or EAR US trade controls as well as any import controls Australia has on defense imports.



## VI. Additional Resources

### a. Defense Associations and Trade Shows

[Australian International Airshow and Aerospace & Defence Exposition](#)

Dates: 02/26/2019 – 03/03/2019

Location: Avalon Airport, Geelong, Victoria, Australia

[Land Forces Australia Indo Asia Pacific](#)

Dates: TBA

Location: Adelaide, Australia

[Military Communication and Information Systems Conference](#)

Dates: 11/12/2019 – 11/14/2018

Location: National Convention Centre, Canberra, Australia

Australia Defence Association

<https://www.ada.asn.au/>

Australian Industry & Defence Network

<https://www.aidn.org.au/>

### b. Sources for Additional Information

Other Relevant Links:

[Equipping Defence](#)

[Defence White Paper](#)

[International Engagement and Export Support](#)

[Defence Procurement](#)

For more information about Maine’s Defense Industry, see the “Maine Defense Industry Report” in the Trade Resources page of the Defense Industry Maine Website.

### c. Note About Data Used in this Report

In the [2016 Defense Markets Report](#), the International Trade Administration (ITA) identified all of the HS codes that are associated with defense exports; the HS codes they identified are 10-digit HS codes. The trade data used in this report are based on 6-digit HS classifications of the ITA codes because WISERTrade only includes the 6-digit level of trade specificity. Therefore, some of the trade data may be overestimated due to the inclusion of exports that are characterized by the 6-digit HS codes but not the 10-digit codes.