



## **EU-AUSTRALIA SECURITY AND TRADE AGREEMENTS REINFORCE GLOBAL NORMS AMID UNCERTAINTY**

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The European Union (EU) and Australia have elevated their bilateral relationship through the simultaneous conclusion of a security and defense partnership (SDP) and their long-negotiated free trade agreement. These developments reflect converging strategic priorities: reducing exposure to geopolitical uncertainty, safeguarding supply chains, and reinforcing a rules-based order amid rising global tensions. Together, the agreements mark one of the most significant upgrades in EU–Australia relations in decades.

### **Strategic drivers behind the dual agreements**

The global environment has compelled both actors to diversify economic and security ties. Revived EU–Australia trade negotiations—previously stalled over agricultural market access—gained urgency as both faced external shocks, including US tariff unpredictability and the Chinese strategic weaponization of supply chains. As Commission President Ursula von der Leyen emphasized, the agreement signals that even in a “deeply changing” world, rules-based cooperation remains viable.

For Europe, Australia’s role as a stable supplier of critical raw materials has become strategically important, especially given European goals in green manufacturing and digital transformation. The FTA secures these supplies and reduces dependency risks associated with concentrated mining and processing elsewhere.

For Australia, diversified export markets and stronger partnerships with like-minded democracies support its broader Indo-Pacific strategy. These shifts take place as Canberra reassesses its exposure to geopolitical pressure and seeks robust frameworks beyond

existing arrangements such as AUKUS.

Simultaneously, the EU’s increased attention to the Indo-Pacific—where 40% of its trade originates—has heightened the importance of aligning with regional middle powers. The dual agreements flow directly from the EU’s 2021 Indo-Pacific Strategy and reflect the accelerating intersection of European and Pacific security.

### **Core features of the EU–Australia Security and Defense Partnership**

The SDP, signed in March 2026, establishes a politically binding—but not treaty-based—framework for deepening cooperation across a wide array of security domains. It covers defense industry links, cyber security, counter-terrorism, hybrid threats, maritime security, and even space cooperation.

Key commitments include:

- Enhanced intelligence and information sharing regarding global threats.
- Resilience building against cyber and hybrid attacks.
- Joint effort against online radicalization and terrorism financing.
- New space security dialogue and advanced defense industrial cooperation.
- Opportunities for joint defense procurement, opening pathways for firms across both markets.

Expanded cooperation reflects shared recognition that contemporary security risks—cyberattacks, disinformation, infrastructure sabotage—transcend geography. The agreement positions Australia to potentially engage with EU defense initiatives such as PESCO (Permanent Structured Cooperation) and provides access to Europe’s future defense finance mechanisms, including the €150 billion (US\$173 billion) SAFE (Security Action for Europe) facility.

The SDP also reflects an evolution in the EU's external defense frameworks. The EU has already established SDPs with countries including Japan, India, Canada, and South Korea. Australia's inclusion signals deeper EU engagement with Indo-Pacific partners facing similar challenges to maritime security, technological competition, and hybrid threats.

Importantly, the agreement is *not a mutual defense pact*. It creates no obligation for military deployment but aims to institutionalize regular security dialogues, joint exercises, and sustained political coordination—steps analysts argue are essential if the partnership is to avoid remaining symbolic.

### 3. The trade agreement: Economic integration after eight years of negotiations

After nearly a decade of on-again, off-again talks, the FTA resolves previously contentious issues—particularly the EU's restrictions on geographic indications and Australia's demands for greater red meat market access. The final compromise grants Australia access to 30,600 metric tons of red meat under tariff rate quotas, while phasing out the right to export sparkling wine labeled “prosecco” within ten years.

The trade deal delivers substantial economic benefits:

- Over 99% of tariffs on EU goods entering Australia will be removed.
- EU exports to Australia are expected to increase by up to 33% within a decade.
- EU investment in Australia could rise by 87%, particularly in advanced manufacturing and green technologies.
- For Australia, the agreement may contribute A\$10 billion (US\$7 billion) annually to its economy. The trade deal also opens negotiations for Australia's future association with Horizon Europe, connecting Australian research institutions to the EU's flagship innovation program—an important step toward deeper technological alignment.

Beyond the economic calculus, the deal demonstrates a political message: democracies can still deliver ambitious rules-based trade agreements despite an international environment increasingly shaped by protectionism and coercive economic tools. Several observers frame this as a broader trend of middle-power coordination in response to declining U.S. predictability and intensifying global rivalry.

### Why the Indo-Pacific has become central to Europe's strategic calculus

The SDP and trade agreement both reflect the EU's recognition that its own stability depends substantially on developments in the Indo-Pacific. Maritime freedom, secure supply chains, and uninterrupted access to key waterways directly affect European prosperity.

Europe's interests in the region have grown amid:

- Intensifying competition over maritime infrastructure.
- Heightened risk of regional conflict involving Taiwan or the South China Sea.
- Cyber intrusions targeting critical industries.
- Supply chain vulnerabilities exposed by global commodity shocks.

Australia, positioned at the heart of Indo-Pacific security dynamics, is a natural partner for the EU's broader strategy. Europe's Global Gateway initiative and Indo-Pacific Strategy both prioritize resilient infrastructure, digital connectivity, and diversified value chains—areas where cooperation with Australia meaningfully advances shared objectives.

Australia also benefits from the EU's regulatory and normative power, enhancing its capacity to uphold a rules-based maritime order and resist increasing pressure on global norms.

### Remaining challenges

Despite the diplomatic momentum, the new frameworks face challenges that could affect their implementation:

- **The SDP's non-binding nature** risks limiting its operational impact. Analysts caution that without follow-through—joint exercises, capacity-building, and industrial integration—the partnership may remain largely declaratory.
- **Agricultural sensitivities** persist. While red meat quotas have been settled, domestic discontent among Australian farmers may continue to complicate political support for deeper trade integration.
- **EU internal divergences** on defense posture and Indo-Pacific engagement could slow implementation.
- **China factor:** Both sides insist the agreements are not anti-China, but Beijing may interpret them as alignment within a broader network of democratic cooperation, potentially leading to diplomatic or economic retaliation.

Despite these challenges, the agreements reflect broad political consensus among EU and Australian leadership. The momentum behind the dual agreements signals not only a bilateral upgrade but Europe's strategic reorientation towards the Indo-Pacific.

### Recommendations for the European Union

#### 1. Prioritize early operationalization of the SDP

The EU should swiftly launch joint cyber response exercises, maritime security drills, and hybrid threat simulations with Australia. Visible early action will build credibility and address concerns that previous SDPs have lacked practical outcomes.

#### 2. Accelerate critical minerals and clean-tech cooperation

With the FTA guaranteeing access to Australian raw materials, Brussels should co-invest in processing, diversification, and environmental-standard alignment, ensuring resilience for the EU's green transition.

### **3. Establish an EU–Indo-Pacific security coordination mechanism**

Leveraging Australia's role under the SDP, the EU should create a platform linking Australia, Japan, India, and South Korea on maritime awareness, cyber norms, and infrastructure protection, enhancing multilateral coordination in the Indo-Pacific.

### **4. Expand collaborative research Through Horizon Europe**

Brussels should ensure Australia's association with Horizon Europe prioritizes joint research in dual-use technologies, AI governance, quantum security, and space surveillance, strengthening both technological resilience and strategic alignment.

### **Conclusion**

The EU–Australia Security and Defense Partnership and the Free Trade Agreement together mark a strategic deepening of ties between two like-minded actors confronted with mounting global uncertainty. They create durable frameworks for cooperation across defense, technology, energy, and supply-chain security, while reinforcing the rules-based order that both depend on.

For the United States, the EU–Australia agreements strengthen a wider democratic alignment in the Indo-Pacific, and Washington should respond by coordinating more closely with Brussels and Canberra to ensure complementary—not duplicative—approaches to regional security and supply-chain resilience.

By reducing redundancies, addressing long-standing trade disputes, and elevating security collaboration, the agreements place EU–Australia relations on a more coherent and forward-looking foundation. Their effectiveness will hinge on sustained implementation, but they already represent a decisive shift toward a more integrated and strategically aligned partnership—one likely to play an increasingly important role in shaping both European and Indo-Pacific security landscapes.

*The Pilot commentaries and responses represent the views of the respective authors. Alternative viewpoints are always welcomed and encouraged. Please write to [rob@pacforum.org](mailto:rob@pacforum.org) for more information on how to contribute.*