Defence Industry Leadership Program

DILP Research Paper

Improving Australia's Competitiveness in Export Markets

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Defence Industry Leadership Program

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Defence Industry Leadership Program

Contents

Executive Summary

Australia's 2024 National Defence Strategy[1] (Department of Defence, 2024) underscores that sovereign industrial capability, particularly defence exports, is now central to the nation's security, economic resilience, and strategic autonomy. While strategic arrangements such as AUKUS present unprecedented potential to enhance trade prosperity, technological access, and operational interoperability, Australia's actual export performance remains constrained. Persistent regulatory complexity, fragmented state and federal support systems, and a procurement culture that continues to marginalise small-to-medium enterprises (SMEs) have collectively hindered progress. Interviews and audit evidence reveal declining and inconsistently applied financial support mechanisms, weak coordination between agencies, and limited awareness programs to guide new market entrants. This paper examines the structural and systemic impediments that limit export competitiveness and argues that Australia's pathway to sovereign industrial resilience lies in targeted reform - building a coordinated national export framework, expanding industry literacy, and investing in niche, high-value capabilities where Australia can achieve global indispensability.

"Exporting Australian defence technology to an international market makes our sovereign defence industrial base more resilient in the face of global supply chain disruptions"

- Minister Pat Conroy 2022

Approach

This paper explores how Australia can enhance its competitiveness in global defence export markets while safeguarding national sovereignty and advancing sovereign industrial capabilities. Improving export competitiveness delivers immediate benefits including:

- reducing reliance on foreign supply chains,
- supporting high-value domestic industries,
- increasing economic resilience,
- deepening alliance interoperability, and
- positioning Australia as an indispensable provider of niche, world-leading capabilities.

It also generates longer-term strategic advantages such as:

- expanding Australia's strategic influence within allied and regional coalitions,
- strengthening deterrence by demonstrating credible industrial depth,
- increasing international dependence on Australian technologies and supply-chain contributions, and

1 Department of Defence (2024). National Defence Strategy 2024. Commonwealth of Australia.

- building a more diverse and innovation-driven economy capable of sustaining defence readiness over decades.

Given the complexity of this topic, situated at the intersection of regulatory reform, global supply chains, strategic partnerships, procurement cultures, and domestic industrial capability, we adopted a multi-method research design. This approach included a comprehensive literature review, structured interviews with defence primes, SMEs, academia and legal experts, and a targeted survey to uncover systemic barriers and enablers. Combined, these methods provide an integrated evidence base to assess Australia's structural impediments and to identify actionable pathways for strengthening sovereign export competitiveness.

Key Findings

The research uncovered several key findings through a comprehensive approach that combined an in-depth literature review, targeted surveys, and structured interviews. These methods provided both theoretical insights and practical perspectives, enabling us to identify critical themes and actionable conclusions. The key themes identified were:

- Inadequate Funding, Financing & Declining Support
- Lack of Coordinated Government Effort
- Underleveraged Innovation and Niche Specialisation
- Reliance on International Primes and Partners
- Capability to Market Maturity Loop
- Regulatory Complexity

Recommendations:

Through a comprehensive analysis of the key findings, Team Uno has determined five key recommendations:

- Build Scalable National Skills Capability and Capacity
  Australia must invest in expanding the specialist workforce required for sovereign design, certification, manufacturing, sustainment, and export-control compliance. A national Defence & Exports Skills Plan, aligned training pipelines, shared training centres, and targeted talent-retention initiatives are essential to support long-term export growth.
- Improve National Literacy on Defence Exports
  Low awareness of export pathways, compliance requirements (ITAR/10B), and market expectations remains a fundamental barrier. A coordinated national education effort -supported by accessible public guidance, clearer signposting, regional training hubs, and transparent reporting - will lift national export literacy and reduce avoidable regulatory missteps.
- Invest in Shared Industrial Capability and a Unified National Brand
  Australia needs expanded test, trial, certification, prototyping, and shared manufacturing facilities to

help companies mature technologies to export-ready TRLs. A unified “Made in Australia Defence” brand, co-developed by government, industry and industry bodies, is required to project a cohesive sovereign identity internationally.

- **Build a Coordinated and Predictable Export Pathway**

  Government must strengthen incentives, harmonise state and federal support systems, and improve domestic utilisation of Australian technologies as a springboard for export credibility. Targeted Defence export activity specific tax breaks and incentives, export-specific funding, coordinated procurement pathways, and a unified national strategy are needed to address fragmentation and ensure scalable export success.

- **Bringing it together: Establish a National Export Enabler Platform**

  To overcome fragmentation and provide a clear ‘end-to-end’ pathway for industry, Australia should establish a single national “source of truth” platform. This platform should integrate a unified opportunity pipeline, SME readiness passport, market-intelligence hub, grant navigator, shared capability booking system, and national “Team Australia” brand resources - ensuring coordinated delivery of all export-support functions.

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Disclaimer

This report was compiled as part of the Defence Teaming Centre (DTC's) Defence Industry Leadership Program (DILP), in which participants complete a Research Project on an assigned topic with assigned team members as part of the activities to earn a nationally recognised Diploma of Leadership and Management.

This Research Project is often done in the participant's free time and any recommendations, opinions or information shared does not constitute the position of the participant's employer, or necessarily the participant themselves.

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While the information contained within this report has been drawn from the views and opinions of industry experts and professionals, no identities of individuals have been disclosed or attributed to specific statements within the report.

This measure ensures conformity to ethical standards and respect of privacy considerations for sources. Every effort has been made to accurately represent opinions and expertise; however, this report should be interpreted as a collective perspective derived from industry experts rather than individual statements.

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It is the responsibility of the reader to comply with any applicable laws and regulations.

Acronyms

ADF	Australian Defence Force
ADI	Australian Defence Industry
ADEO	Australian Defence Export Office
ADSSO	Australian Defence Strategic Sales Office
AIC	Australian Industry Capability (policy)
Ai Group	Australian Industry Group
AI	Artificial Intelligence
ANAO	Australian National Audit Office
ASP I	Australian Strategic Policy Institute
AUKUS	Australia–United Kingdom–United States trilateral security partnership
Austrade	Australian Trade and Investment Commission
AWD	Air Warfare Destroyer
BHP	Broken Hill Proprietary (BHP Group)

CCC	Canadian Commercial Corporation
COVID-19	Coronavirus Disease 2019
CSIS	Centre for Strategic and International Studies
DES	Defence Export Strategy
DILP	Defence Industry Leadership Program
DoD	Department of Defense (United States)
DTCA	Defence Trade Controls Act
DTC	Defence Teaming Centre
DSR	Defence Strategic Review
EDGE	EDGE Group (UAE defence conglomerate)
EOS	Electro Optic Systems
FSP	Future Submarine Program
G2G	Government-to-Government (contract/arrangement)
GDP	Gross Domestic Product
GSC	Global Supply Chain
IMV	Infantry Mobility Vehicle
IT	Information Technology
ITAR	International Traffic in Arms Regulations
ITB	Industrial and Technological Benefits (Canada)
JFADT	Joint Foreign Affairs, Defence and Trade (Committee)
NGO	Non-Governmental Organisation
ODIS	Office of Defence Industry Support
OPV	Offshore Patrol Vessel
R&D	Research and Development
RWS	Remote Weapon System(s)
SIPRI	Stockholm International Peace Research Institute
SKILLS LAB	SKILLS LAB (training/skills organisation – brand name)
SME	Small-to-Medium Enterprise
TRL	Technology Readiness Level
UAE	United Arab Emirates
UK	United Kingdom
UKDSE	UK Defence & Security Exports
US	United States
WWI	World War I
WWII	World War II

Acknowledgements

This whitepaper has been developed with the generous support and strategic guidance of our Project Supervisor, Tom Tizard, whose insights have helped shape both the scope and direction of this research paper. We also acknowledge the valuable contributions of the Defence Industry Leadership Program (DILP), the Defence Teaming Centre (DTC), and SKILLS LAB, whose collaboration and support have been instrumental throughout the research process.

We are deeply grateful to the representatives from over 40 organisations across the Australian defence sector who participated in our research. Their input, gathered through a sector-wide survey and a series of structured interviews, has provided a foundation of perspectives that underpin the findings and recommendations presented in this paper.

While individual responses remain confidential to preserve the integrity of the dialogue and encourage open engagement, we are proud to publicly recognise the organisations that supported this initiative. Their logos, displayed below, represent a cross-section of industry leaders, across Defence Industry, Government, and Accademia, who are committed to advancing Australia's competitiveness with-in the defence export market.

This collective effort reflects a shared commitment to addressing the challenges and opportunities facing the sector, and we extend our sincere thanks to all contributors for their time, expertise, and willingness to engage in this research topic.

Introduction

Australia's 2024 National Defence Strategy[1] (Department of Defence, 2024) increasingly links sovereignty with industrial capacity, viewing the ability to design, build, and export critical defence technology as paramount. Despite the transformative potential of the AUKUS agreement and a supportive policy environment, Australia's export performance remains hampered by structural and regulatory bottlenecks.

This paper presents a mixed-methods analysis, integrating a comprehensive literature review, national industry survey, and 20 in-depth stakeholder interviews with Small-to-Medium Enterprises (SMEs), Primes, Academia, and Government bodies. The findings reveal a system characterised by fragmented compliance support, prohibitive time-to-market for industry, and a risk-averse national defence procurement culture.

To accelerate export competitiveness, this paper proposes a multi-pronged national strategy focused on three flagship recommendations: establishing a unified Defence Export Promotion Office, investing in national capability enablers (like test and certification facilities), and championing a cohesive *'Made in Australia Defence'* brand to transition the nation from a subcontractor to a sovereign innovator.

Sovereignty through exports

The Australian government defines true sovereignty not merely as self-reliance, but as the industrial ability to contribute meaningfully to global supply chains and international partnerships. This shift elevates defence exports from a secondary economic goal to a primary pillar of national strategic policy.

> *" Sovereignty is the ability to export. This is not just an economic issue – it's a national security imperative"*
>
> - Deputy Prime Minister the Hon. Richard Marles, 2023, Australian Labor Party

Across the globe, nations utilise defence exports as a critical instrument of geopolitical positioning, not just economic gain. Exports generate economic prosperity, sustain high-tech jobs, drive innovation, and deepen partnership capabilities with allies. For established powers and rising players alike, success in defence exports translates directly into greater global influence and strategic complexity, providing a vital anchor for domestic industrial capability.

The current geopolitical environment, marked by the AUKUS trilateral security partnership and global supply chain fragmentation, presents both unprecedented opportunities and significant challenges for the Australian Defence Industry (ADI). While technology sharing with the United States and United Kingdom promises scale, Australian industry faces a fragmented maze of compliance burdens, insufficient support, and a lack of procurement visibility that stifles their export potential.

This paper analyses the factors influencing Australia's defence export capacity and explores how Australian Defence organisations can improve their competitiveness overseas.

Problem statement

Australia's aspiration to achieve greater strategic sovereignty and self-reliance is directly dependent on scaling its domestic defence industrial base. As affirmed by government leadership, this sovereignty is measured by the industry's ability to export. Our research found that despite unprecedented strategic opportunities presented by the AUKUS agreement and global supply chain realignments, ADI export growth remains constrained by fragmented policy, persistent regulatory friction (particularly the ever-dynamic Export Controls and Security requirements), a lack of guaranteed domestic procurement as a reference point, and critical gaps in certified industrial capacity, severely undermining Australia's global competitiveness (Figure 2).

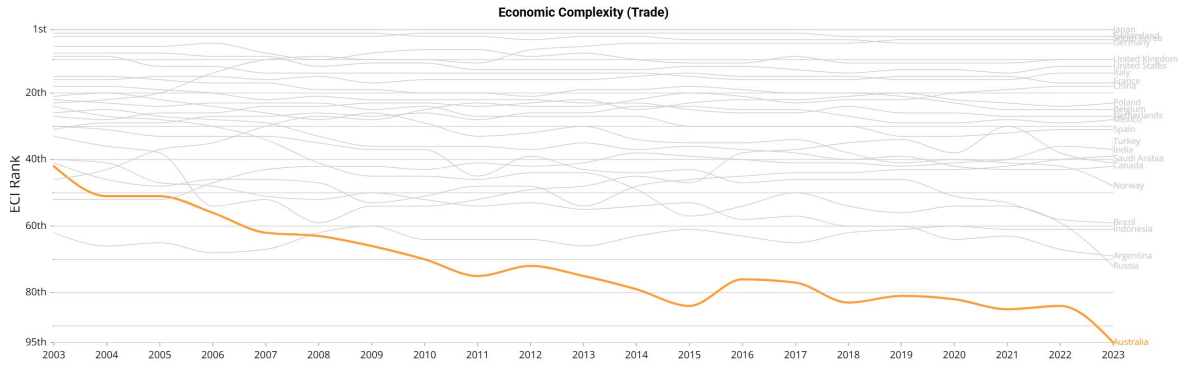


Figure 1: Australia's Economy Complexity Rankings 2003-2023. Source: OEC world

Australia's economic complexity ranking has also fallen from the 42 to 95 in ECI rankings. Between August 2024 and August 2025, the exports of Australia decreased by $1.48B (-3.58%), from $41.4B to $39.9B[2].

Australia's has steadily declined in global export rankings and economic complexity[3] (Figure 1). Australia was ranked approximately 20th in global defence exports at the time of the 2018 Defence Export Strategy[4], but as highlighted in the 2025 statistics according to SIPRI[5] , continues to fall significantly short of its goal.

In 2023 the Institute of Public Affairs (IPA) [6] undertook an analysis of Australia's competitiveness using data from the respected International Institute for Management Development (IMD) World Competitiveness index[7]. The analysis found that Australia fell from the most resilient economy in the world in 2004 to 20th today.

Australia's economic competitiveness ranking also plummeted 15 places on economic competitiveness (Figure 3) – the largest decline among comparable nations, including the US, UK, Canada, and NZ.

Below are key extracts from the report.

2 OEC (2025). *Australia Country Profile: Economic Complexity & Export Data.*

3 Joint Foreign Affairs, Defence & Trade Committee (2023). Parliamentary evidence relating to defence export challenges.

4 Department of Defence (2018). Defence Export Strategy. Commonwealth of Australia.

5 Wezeman, P. D., Djokic, K., George, M., Hussain, Z. & Wezeman, S. T. (2024). Trends in International Arms Transfers, 2023. Stockholm International Peace Research Institute (SIPRI).

6 Institute of Public Affairs (2023). *Australia's Economic Competitiveness in Continuing Decline.* Parliamentary Research Brief.

7 IMD World Competitiveness Center (2023). *World Competitiveness Ranking 2023.*

"In the 2000s, Australia consistently ranked as one of the most competitive economies in the world. But in recent years, Australia's economic competitiveness has fallen behind".

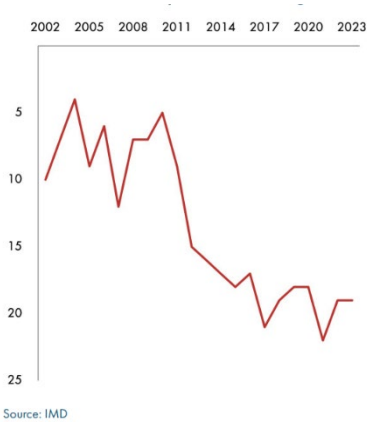


Figure 2

"In 2023, Australia ranked 19th, just behind the Czech Republic and Saudi Arabia- and far behind regional trading partners such as Singapore, Taiwan, and the United States (US)".

"Australia has seen a significant drop in its World Competitiveness Ranking since the 2000s. In 2004, Australia was ranked the 4th most competitive economy in the world, behind only the US, Singapore and Canada".

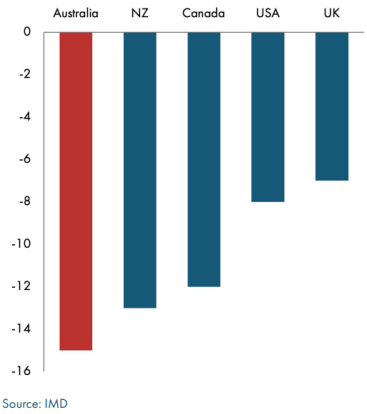


Figure 3

"Australia is now ranked 19th overall. Over the last 20 years, the rankings of several other advanced economies have also worsened. But Australia's decline from 4th to 19th has been more severe than the decline of comparable nations"

Figure 2: Australia's Competitiveness rankings 2002-2023. Source: Institute of Public Affairs Parliamentary Research Brief "Australia's Economic Competitiveness in Continuing Decline", November 2023, and IMD.

Figure 3: Decline in Australia's competitiveness ranking 2004 to 2023. Source: Institute of Public Affairs Parliamentary Research Brief "Australia's Economic Competitiveness in Continuing Decline", November 2023, and IMD.

Aim

The primary aim of this research is to diagnose the systemic challenges hindering Australia's defence export competitiveness while simultaneously highlighting the strategic benefits that exports deliver to national security, economic prosperity, and geopolitical influence. Our goal is to develop a three-pillared, integrated strategy of actionable recommendations for government and industry to accelerate sustainable export growth, align with allied supply chains, and bolster sovereign capability.

Objectives

This report pursues the following objectives to achieve its aim:

1. Evaluate the Current Export Environment: Systematically analyse the current regulatory framework (DTCA, ITAR-like controls) and the state of Australian industrial capacity in the context of major strategic partnerships (AUKUS).
2. Attain Qualitative Data: Gather and synthesise current, relevant qualitative data from a broad cross-section of defence industry stakeholders (including a critical 45% share from SMEs), government bodies, and academia to identify core friction points and opportunities.

3. Analyse Issues and Emerging Trends: Investigate the industrial "valley of death," the cost of compliance, and the fragmentation of government support to understand their impact on the time-to-export for innovative technologies.

4. Provide Outcomes: Deliver clear, evidence-based recommendations that the Australian Government, Defence, and non-Defence industries can immediately explore to maximise Australia's potential export success and ensure the benefits of AUKUS flow down to SMEs.

Assumptions

The research conducted for this report is based on the following key assumptions:

- **Policy Stability:** It is assumed that the foundational strategic direction set by the Defence Strategic Review (DSR) and the ongoing commitment to the AUKUS partnership will remain the guiding policy framework for the Australian defence industry over the next five to ten years.
- **Data Accuracy:** The qualitative data obtained through 20 detailed stakeholder interviews and the industry survey accurately reflects the current sentiment, experience, and operational barriers faced by the broader Australian Defence Industry ecosystem.
- **Government Appetite for Reform:** There is a genuine political and departmental appetite for significant, multi-agency reform (including the DTCA) required to achieve the necessary export growth and industrial alignment with key allies.
- **Resource Constraints:** The recommendations acknowledge the real-world limitation of finite government resources, necessitating a focus on high-leverage, integrated interventions over fragmented, ad-hoc programs.

Approach & Research Methodology

Scope & Methodology: Triangulating Insights

Our methodology comprised a comprehensive literature review, an industry-targeted survey, and a series of semi-structured interviews with key stakeholders. This multi-method approach enabled robust triangulation of insights, allowing us to identify recurring themes, validate findings across stakeholder groups, and surface practical opportunities for reform and impact.

A detailed literature review established the strategic landscape and provided foundational data on Australia's defence export environment, including policy settings, historical challenges, and global market dynamics. These findings informed the design of our qualitative survey questions.

The industry survey was distributed through LinkedIn, professional networks, and defence associations such as Ai Group, the Henderson Alliance, and the DTC. Although the response rate was lower than anticipated, the survey was deliberately qualitative in nature, yielding detailed written responses that provided rich, experience-based insights.

Building on this, semi-structured interviews were conducted with representatives from government, academia, and industry -including SMEs, primes, service providers, manufacturers, and suppliers. These interviews offered nuanced perspectives and validated the themes identified in earlier research stages.

At the outset, we also examined the concept of sovereign capability and challenged traditional assumptions about what constitutes a defence export. Rather than limiting analysis to tangible products, we consciously incorporated the export of services, niche skillsets, and specialised intellectual capability. This broadened lens allowed us to capture both Australia's current export activities and its potential to expand high-value, non-material contributions to global markets.

Literature Review

A detailed literature review was undertaken of more than 40 relevant sources. These included:

- Formal Parliamentary and Government strategies and policy frameworks
- 2018 Defence Export Strategy[4]
- Defence Industry Development Strategy 2024[8]
- JFADT reports[3]
- ANAO Audit; Export Strategy Implementation[9]

Industry-Specific Papers, Think-Tank and Articles

8 Department of Defence 2024, *Defence Industry Development Strategy*, Australian Government, Canberra.

9 Australian National Audit Office (2020–21). Audit observations relating to the implementation of the Defence Export Strategy.

- ADM[10]
- Defence Connect[11]
- ASPI, Lowy Institute[12]
- Strategic Analysis Australia

Academic and independent research

- CSIS
- ArXiv
- University-led studies

Additionally, insights were drawn from sector-relevant podcasts such as the Australian Defence Magazine Podcast[10] and the Defence Connect Podcast Network[11].

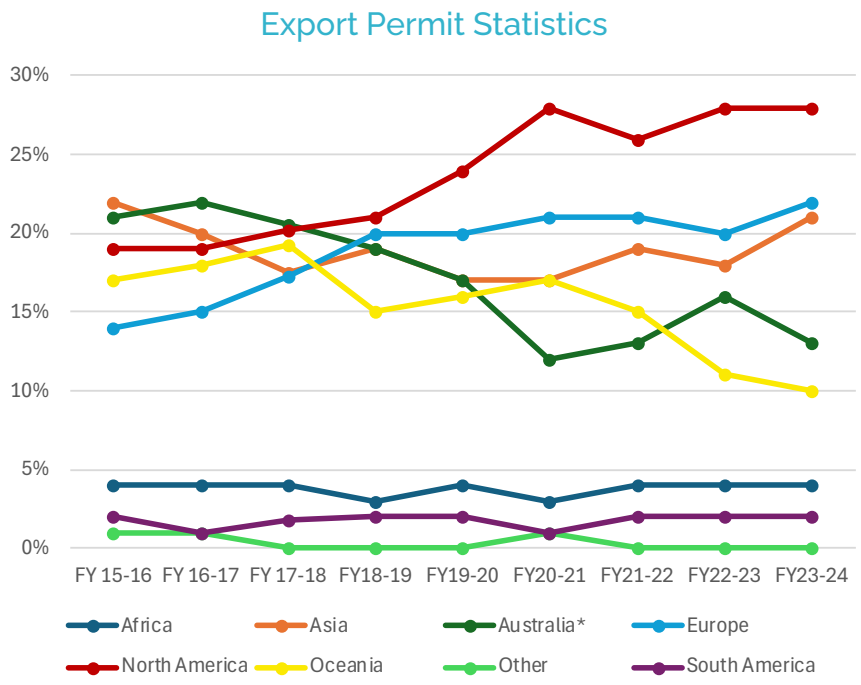


Figure 4: Summarised reports from https://www.defence.gov.au/about/accessing-information/export-permit-statistics
*Export Permits issued to Australian end users relate to returns and repairs

As seen in Figure 4, the average value of Australia's Defence Export permits per region increasing to Europe and Asia, while decreasing to Oceania, with returns and repairs to Australian end used also continuing to drop.

These figures can be seen reflected in the reported export markets of the survey respondents, as summarised in Figure 5. Although not exactly comparable, with slightly differing regions stated, it shows a strong correlation.

10 Australian Defence Magazine (2025). *ADM Podcasts.* Retrieved from www.australiandefence.com.au/podcasts

11 Defence Connect (2025). *Defence Connect Podcast.* Retrieved from www.defenceconnect.com.au/podcast

12 Shrimpton, B. & Henneke, G. (2023). *Shake-up of Australia's defence export regime offers opportunities for AUKUS and beyond.* Australian Strategic Policy Institute (ASPI).

Surveys

A core component of the research involved the development and dissemination of a survey to capture stakeholder insights on Australia's defence export competitiveness. The survey targeted individuals and organisations across the defence innovation ecosystem, particularly SMEs, exporters, dual-use technology developers, and advanced manufacturing firms.

Design and Ethics

The project team co-designed an ethics-aligned survey following best-practice guidelines for optimal length, clarity and readability. Each question was purposefully structured—using multiple-choice, Likert scales, radio buttons, or free-text fields, to elicit meaningful, high-quality responses. Mentor input was incorporated throughout the design process, and the survey was pre-tested to ensure completion time was reasonable and not overly burdensome.

Attention was given to professional visual presentation, including a clean layout and selective use of brand elements such as the Defence Teaming Centre (Project Sponsor) and the Defence Industry Leadership Program (DILP).

Privacy and ethical standards were proactively upheld through transparent data-use statements, secure data storage at the University of South Australia (a neutral and trusted institution), and full anonymity of participants. All responses were de-identified for analysis and reporting.

Distribution Strategy

To maximise reach and relevance, a coordinated multi-channel dissemination strategy was implemented. Each team member shared the survey through professional networks, supported by mentor-identified defence and industry contacts. Targeted distribution occurred via the Defence Teaming Centre, Ai Group's Defence Suppliers Network (with over 260 defence-aligned businesses), and the University of New South Wales.

A staged release approach aligned survey promotion with social-media activity (e.g., LinkedIn posts), EDM campaigns, and direct outreach. Weekly monitoring of responses enabled timely reminders and adaptive broadening of outreach where necessary.

Respondent Snapshot (n = 23)

- Representation from SMEs across defence, cyber, advanced manufacturing, dual-use and space sectors
- Mix of exporters, former exporters, and firms preparing to export
- Target markets included the Indo-Pacific, North America, and Europe.

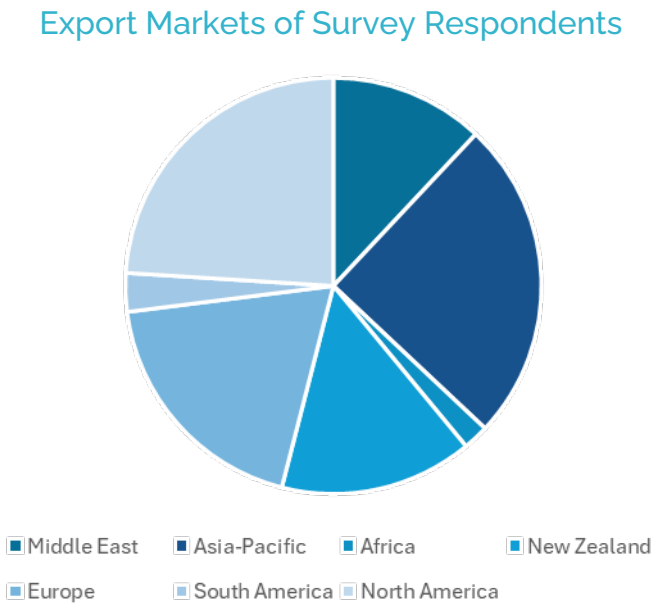


Figure 5: Export Markets of Survey Respondents

Key Themes Identified:

- **Lessons learned:** Success in export markets was strongly linked to sustained relationship-building, early awareness of compliance requirements, and long-term commitment.
- **Common barriers:** Regulatory complexity, insufficient access to finance, and limited visibility of available support programs.
- **Support gaps:** Respondents highlighted a lack of early-stage coaching, funding to cross the "valley of death," and clearer government pathways.
- **Reform appetite:** Strong support was expressed for modernising export control processes and reducing administrative red tape for SMEs.

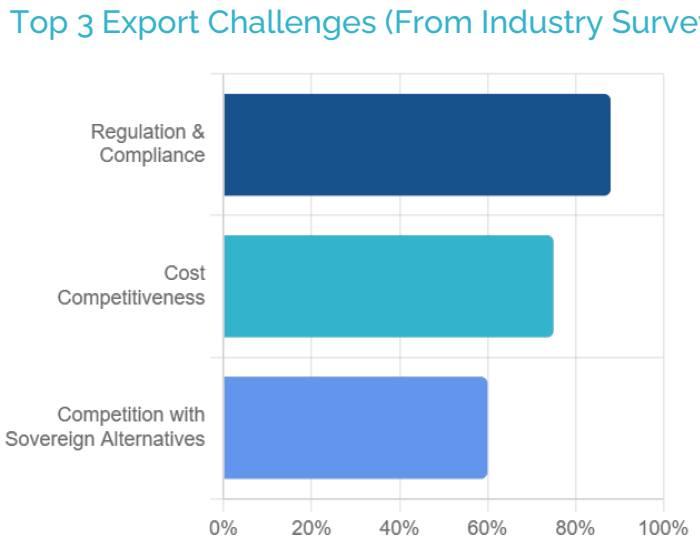


Figure 6: Top 3 Export Challenges (From Industry Survey)

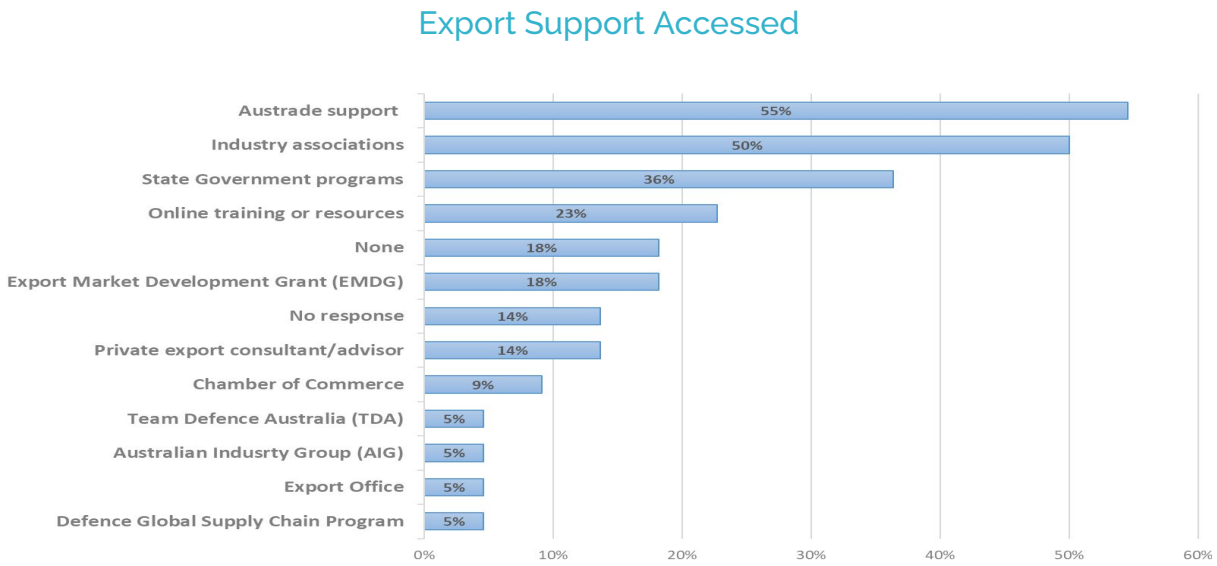


Figure 7 - Export Support Accessed by Survey Respondents

Lack of awareness or difficulty using Defence export support systems was reported by only a few respondents, but the results from the survey question "*What types of export support has your business accessed?*" show a different story; there is a clear lack of uptake of the various support services available. Perhaps the most surprising figure is that two major services/programs, the Australian Defence Export Office (AEDO) and the Defence Global Supply Chain (GSC) Program, were only utilised by 5% of respondents.

Of note, as only 67% of the survey respondents were either currently exporting, or had previously exported, this result is somewhat skewed.

While utilisation may be an issue, survey respondents mostly rated the support services they used as very useful, as shown below (Figure 8).

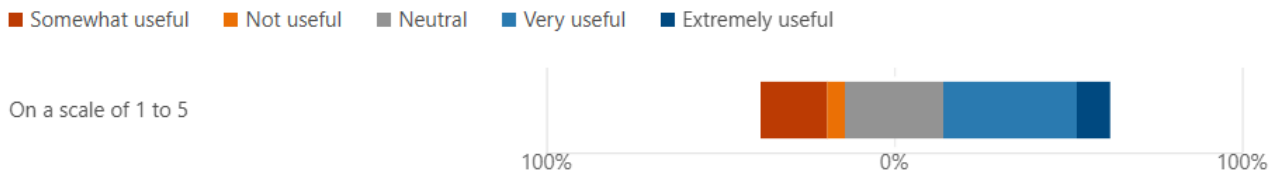


Figure 8 - Survey question: How would you rate the usefulness of the support/resources you accessed?

However, even with useful support, the majority of respondents still reported having great difficulty when undergoing their first export attempt.

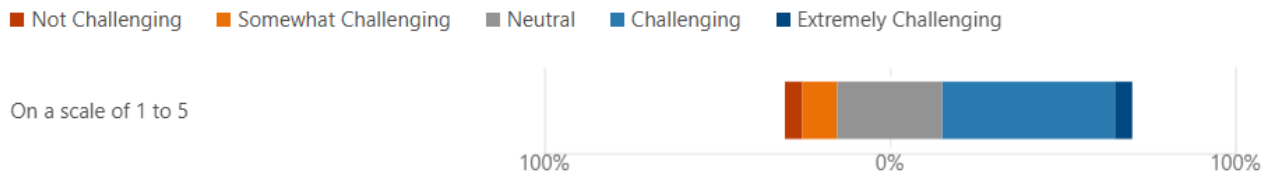


Figure 9 - Survey question: How challenging was your first export experience?

Interviews

To build on the survey and literature review, structured interviews were conducted with a diverse cross-section of stakeholders. These included:

- Defence industry, ranging from SMEs to large Primes
- Industry development specialists
- Academic researchers and export control experts within Australian universities
- Policy advisors

Interview questions explored systemic barriers to export participation, success factors for dual-use commercialisation, coordination across government programs, and perceptions of sovereignty in the AUKUS context. These interviews also helped identify real-world examples of both policy success and failure, enriching our understanding of execution dynamics, culture, and institutional inertia.

"Commercialisation is where our research truly makes impact".

\- Interviewee

Of the 20 interviews conducted, a critical 45% were with Small-to-Medium Enterprises (SMEs), providing a crucial perspective on scaling and compliance challenges (Figure 10).

"True partnerships mean primes growing SMEs, not just subcontracting."

\- Interviewee

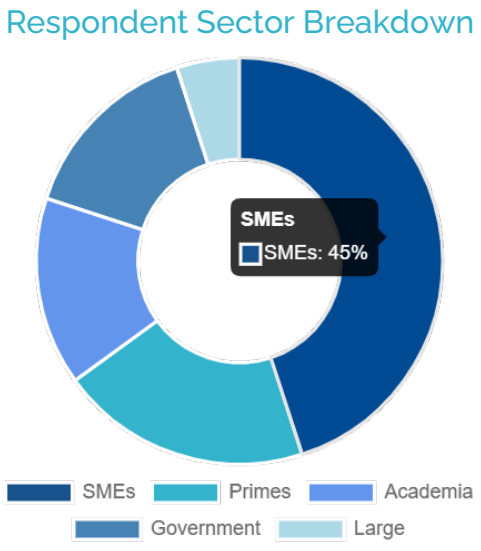


Figure 10: Interview respondent's industry/sector breakdown

Case Studies

Case studies were examined to illustrate how the Australian defence industry has achieved success in defence exports and to identify lessons that can strengthen future competitiveness. By examining past examples across the full spectrum of Australian defence exports. These case studies provide a baseline for comparison against like-minded markets and competitive nations, enabling benchmarking against initiatives already proven effective elsewhere. In doing so, they highlight both the distinctive strengths of Australia's defence industry and the transferable strategies.

Bushmaster Protected Mobility Vehicle

The Bushmaster is an Australian-designed four-wheel drive armoured vehicle, originally developed by Australian Defence Industries (later Thales Australia) and built in Bendigo, Victoria, whose V-shaped hull disperses IED blast forces for crew survivability[13]. Introduced to fill a capability gap highlighted in the 1991 Defence Force Structure Review[14], the vehicle entered Australian service in 2005 and proved its combat robustness in Afghanistan, prompting initial exports to the Dutch army[15] and a cascade of additional orders that now place over 1,200 Bushmasters in service with nine nations, including Australia, the UK, Japan, Indonesia, Fiji, Jamaica, New Zealand, the Royal Netherlands Army and the Ukrainian Armed Forces [16]. Its success stems from exceptional reliability and versatility - effectively bridging light mobility platforms and heavy infantry fighting vehicles. A key milestone of its road to success was the donation of Bushmasters to Ukraine in 2022[16], which showcased the vehicle's performance to the world, fuelled praise, subsequent donations, and further domestic manufacturing demand[17].

Electro Optic Systems (EOS) – Exports, Controversy, and Consequences

Electro-Optic Systems (EOS), a Canberra-based defence tech company best known for its vehicle-mounted remote weapon stations, surged onto the export scene in the late-2010s. It received more than $36 million of Australian government financing and secured large orders, including a Letter of Intent for 500 RWS units to Saudi Arabia and a contract worth approximately $400–$450 million for the UAE[18]. Those Middle East

13 Elite UK Forces, *Mobility Troop - Bushmaster IMV*. www.eliteukforces.info/special-air-service/mobility-troop/bushmaster/

14 Australian National Audit Office (17 Sep 2006), *Defence's Project Bushranger: Acquisition of Infantry Mobility Vehicles*. www.anao.gov.au/work/performance-audit/defences-project-bushranger-acquisition-infantry-mobility-vehicles

15 Global Defence News (15 Mar, 2022), *Dutch Army confirms Thales Bushmaster armored vehicle Mid-Life Update*. www.armyrecognition.com/archives/archives-land-defense/land-defense-2022/dutch-army-confirms-bushmaster-armored-vehicle-mid-life-update

16 Australian Government (8 April 2022), *Australia to gift 20 Bushmasters to Government of Ukraine*. www.minister.defence.gov.au/statements/2022-04-08/australia-gift-20-bushmasters-government-ukraine

17 ABC (17 May 2023), Australia commits $160m to build more Bushmasters after donating 90 to Ukraine in war against Russia. www.abc.net.au/news/2023-05-17/bushmaster-defence-thales-australian-army-bendigo-hawkei-ukraine/102355532

18 ABC News (19–20 Feb 2019). *Australian Government under fire over export of weapons system to war crime-accused Saudi Arabia*. https://www.abc.net.au/news/2019-02-20/australian-firm-eos-weapons-systems-bound-for-saudi-arabia/10825660

deals soon attracted scrutiny because Saudi Arabia and the UAE were implicated in Yemen's humanitarian crisis, prompting NGOs, media, and parliamentary criticism[19,20]. This controversy forced the company to emphasise that its systems were not used in conflict zones[18]. The opaque Australian export-permit process, which weighs national security, human-rights, and international obligations, caused delays. Pandemic-related freight disruptions and a backlog of inventory compounded the delays, which strained working capital. This ultimately led EOS to a 2022 trading suspension and financial re-organisation[21] and a strategic pivot toward lower-risk markets such as Ukraine[22] [5]. The EOS experience highlights the twin dangers of concentrated Middle East exposure and the labyrinth of export-control compliance. It underscores the importance of financial hedging and market diversification and reveals how reputational risk can become a decisive business factor for defence exporters.

Research Findings

Current State: The Strategy Gap

A focal point of Australia's industrial policy remains the *2018 Defence Export Strategy*[4], which established a clear ambition to position Australia as one of the top ten global defence exporters. However, data from the *Trends in International Arms Transfers*[5] reports reveal a starkly different reality.

Rather than progressing, Australia has regressed, falling six places to 26th in global rankings[5]. This decline is not merely statistical; it signals that peer nations are accelerating their industrial maturity at a rate that outpaces Australia. The critical insight lies in the profile of the nations that have outpaced us, specifically the UAE and Switzerland, who have adopted aggressive, targeted industrial strategies.

Competitor Analysis: The United Arab Emirates (UAE)

The UAE has transitioned from a key customer to a formidable competitor. This shift is the result of a deliberate strategy to leverage procurement programs to build a sovereign industrial base. Central to this was the formation of the EDGE Group in 2019[23], which consolidated over 35 entities into six core clusters: *Platforms & Systems, Missiles & Weapons, Space & Cyber Technologies, Trading & Mission Support, Technology & Innovation, and Homeland Security*. This consolidation streamlined their ability to advance sovereign technologies for export, positioning the UAE as a global hub for future industries.

19 VICE (3 Feb 2021). *Australia Draws Fire Over High-Tech Weapons Deal With Alleged War Criminals.* Australia Draws Fire Over High-Tech Weapons Deal With Alleged War Criminals

20 SBS (20 Aug 2018). *Government denies Australia sold weapons to Yemen, as inquiry calls for arms embargo.* Is Australia violating treaty by supplying weapons for Yemen Civil War? | SBS The Feed

21 ASX (28 Jun 2022). *Trading Halt – Electro Optic Systems Holdings Limited (ASX:EOS).* www.asx.com.au/asxpdf/20220628/pdf/45b9l8w4pdff6f.pdf

22 ABC News (3 Apr 2023). *Canberra-made remote weapons system to be sent to Ukraine.* www.abc.net.au/news/2023-04-03/australian-company-eos-systems-weapons-ukraine-war/102181526

23 EDGE Group (2025). *About EDGE: Clusters and Capabilities.* [online] Available at: https://edgegroupuae.com/about [Accessed 22 Nov. 2025].

Competitor Analysis: Switzerland

Australia is also being outperformed by Switzerland. Despite its neutrality, Switzerland has pursued a "niche industrial strategy" to guarantee defence independence. The Swiss government actively reorients its armaments policy to maintain a defence-critical industrial base, focusing not on platform scale, but on dominating key technology sectors such as explosives engineering and components for medium- and large-calibre weapons. This focus has secured their position in global supply chains[24].

Competitor Analysis: South Korea

Perhaps the most confronting comparison for Australia is South Korea. The two nations are strategic and economic peers with comparable GDPs, yet the disparity in sovereign capability is profound. While South Korea's annual defence spending is higher than Australia's ($43.9 billion vs $36.4 billion in 2023), the difference is largely a function of strategic choice rather than economic capacity. Unlike Australia, which relies heavily on foreign primes for major platforms, South Korea has developed the industrial capacity to design, manufacture, and export nearly every element required for a modern military. This includes 4.5-generation fighter jets (KF-21), main battle tanks (K2 Black Panther), and advanced submarines. This comprehensive sovereign capability has propelled them into the top tier of global exporters, with major recent deals such as the $3.55 billion export of K2 tanks and K9 howitzers to Poland[25]. This demonstrates that a mid-sized power can achieve industrial self-reliance through long-term strategic commitment.

Models for Success

While Australia has stagnated, peer nations like Canada and the United Kingdom have accelerated. They have done so by implementing superior "export architecture" that solves the specific problems of *fragmentation* and *credibility* that currently constrain Australian industry.

Canada: The "Government-as-Partner" Model

Canada institutionalises the "Team Canada" approach through two powerful mechanisms:

The "One-Stop" Shop: Unlike Australia's fragmented support, Canada utilises the Canadian Commercial Corporation (CCC). This Crown corporation acts as an international prime contractor, signing government-to-government (G2G) contracts with foreign buyers (like the US DoD).

The Canadian government provides a sovereign guarantee for contract performance, removing the risk that often prevents SMEs from winning foreign work.

Success Story: This mechanism enabled General Dynamics Mission Systems–Canada to secure a $24 million contract to modernise the Portuguese Air Force's P-3C fleet, simplified through a G2G contract.

24 Center for Security Studies (2025). *Switzerland's Role in European Rearmament*. Zurich: ETH Zurich.

25 *Army Technology (09 July 2025). Poland signs contracts for K2 tanks and K9 howitzers from South Korea./www.army-technology.com/news/south-korea-k2-tank-poland/.*

Mandated Sovereign Capability**:** Canada's *Industrial and Technological Benefits (ITB) Policy* is far more aggressive than Australia's AIC. It contractually requires defence contractors to undertake business activity in Canada equal to 100% of the contract value.

SME Success: Mission Control Space Services, an Ottawa-based SME, used this ecosystem (and "CanExport" funding) to become a global leader in space-based AI, recently winning a $4.7m contract for lunar rover technology[26].

United Kingdom: The "Export-Led" Industrial Strategy

The UK has explicitly linked national security with economic prosperity, positioning exports as a core function of defence strategy.

*Unified Leadership***:** The UK Defence & Security Exports Office (UKDSE) unit sits within the Department for Business and Trade but works in lockstep with the Ministry of Defence. Unlike Australia's siloed approach, UKDSE employs serving military personnel to advocate directly for British industry in key markets.

SME-Specific Targets: The UK has implemented concrete targets to increase SME participation, recently announcing £2.5 billion in new spend targets[27] for SMEs to ensure they benefit from defence investment.

OpenWorks Engineering is a prime example. Specialising in the "SkyWall" counter-drone system, they leveraged this ecosystem to secure exclusive partnerships in the US and contracts with European customers, validated by evaluations from the Royal Netherlands Army[28].

Context, how did we get here?

Australian industry has been in a state of steady decline arguably since the late 1970s, but there have been fluctuations in strength over the last century. Informing the research findings and investigating solutions to mitigate this decline, it is valuable to understand some historical context.

Historical Context: The Erosion of the Australian industrial Base

To understand the current state of Australian defence exports, it is necessary to recognise the historical trajectory of Australia's industrial sovereignty. Australian industry has been in a state of steady decline since the late 1970s, a shift that has fundamentally altered the nation's "engineering bench capacity."

The Era of Necessity and Sovereignty (WWI – 1940s)

Australia's industrial identity was forged in conflict. World War I accelerated scientific and industrial initiatives, birthing a domestic capacity for arms and munitions. This momentum carried into the inter-war years, where the Great Depression prompted the government to apply heavy tariffs to force "buying local."

26 Mission Control (2025). *Mission Control Awarded $4.7M Contract for Canadian Lunar Utility Rover*. [online] Available at: missioncontrolspace.com [Accessed 22 Nov. 2025].

27 Ministry of Defence (2025). *Defence Industrial Strategy 2025: Making Defence an Engine for Growth*. London: UK Government.

28 OpenWorks Engineering (2022). *The Royal Netherlands Army evaluates the SkyWall Patrol*. [online] Available at: openworksengineering.com [Accessed 22 Nov. 2025].

By the 1930s, these protective trade measures had allowed metalworks and heavy manufacturing to flourish, seeing the rise of BHP, General Motors, and the Commonwealth Aircraft Corporation. This emerging car industry played a vital role in supporting Australia's war production during World War II. By the end of World War II, Australia had transitioned from a predominant importer to a significant supplier of manufactured goods to both the UK and the US - a status that endured well into the post-war period.

The Manufacturing Boom (1950s – 1960s)

The mid-20th century represented the peak of Australian industrial capability. Manufacturing accounted for approximately 28% of GDP and employment. This era saw the establishment of major sovereign capabilities, such as Transfield in 1956 (which in time later spun out Tenix), alongside robust local operations from multinationals like Toyota, Mitsubishi, and Alcoa. Australia possessed not just the capability to manufacture, but the *scale* to sustain it.

The Structural Decline (1970s – 1990s)

The tide turned in the 1970s. Struggling to compete with cheaper overseas imports, both government and industry began a slow and progressive process of outsourcing products and services offshore. The 1980s and 1990s accelerated this trend through the widespread privatisation of government-owned utilities and industries—entities that had formerly played a vital role in feeding industrial demand and training technical talent.

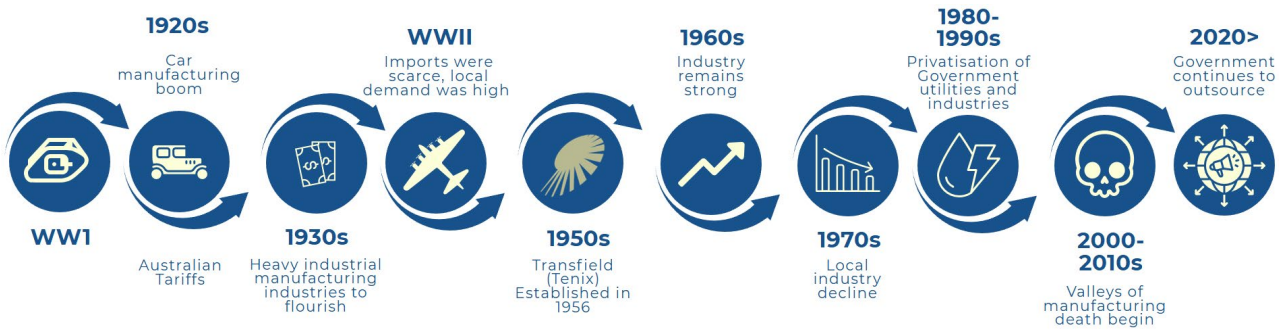
The "Valley of Death" (2000s – Present)

The modern era has been defined by the widening of the "Valley of Death." The cessation of government industry subsidies in the 2000s triggered a cascade of industrial exits. The departure of automotive giants - General Motors Holden, Ford, Toyota, and Mitsubishi - stripped the nation of critical engineering depth and advanced manufacturing volume. This had a follow-on negative effect to the ecosystem of SMEs which supplied these and associated industries with Australian manufactured components.

This diminishing time was joined with well-documented productivity gaps in Australian naval shipbuilding – with multiple industrial 'Valleys of Death'[29] occurring between the construction program between the transitions from ANZAC Class to AWD Class ships, and again with AWD Class to OPV to HCFP shipbuilding in Australian defence programs, generating further negative ripples upon Australian industry, as well as creating capability gaps in the Defence industry which have been hard to recover from.

This loss of volume led to the insolvency of foundational supply chain partners, such as Arrium (Whyalla Steelworks) and J&H Williams. Today, the industry faces a new form of instability. The cancellation of the Attack-class Future Submarine Program and the pivot to AUKUS has left the industrial base in a state of uncertainty.

29 ANAO (14 May 2018) Audit Report No. 39 2017–18 *Naval Construction Programs—Mobilisation.* Commonwealth of Australia, www.anao.gov.au/work/performance-audit/naval-construction-programs-mobilisation.



Conclusion: The Impact on Exports

History demonstrates that Australia *can* be a manufacturing powerhouse. However, the systematic erosion of the industrial base means that today's defence exporters are operating without the "safety net" of a broad manufacturing economy. We are no longer rebuilding from a position of strength (28% of GDP) but fighting to regain lost ground.

Key Contributors to why we are not performing.

Key themes that consistently appear across government reports, industry analyses, and policy critiques, interview responses and survey results. These are summarised below:

Inadequate Financing, Grant Funding, and Declining Support

The 2018 Defence Export Strategy[4] goal of becoming a top 10 global exporter is not on track to being successful (Morrison Government). This is partly due to Covid and war in Europe, but this proves how vulnerable we are to supply chain issues and shows our ability to adapt to a new market/issue is too slow. Australia was ranked 20th according to DES, and as of 2025, now ranked 17th according to SIPRI[,11]. Our evidence shows that federal and state financial support has steadily declined in scale and consistency – grant programs have been cut, rebadged or under-utilised in recent years (such as those issued by the Defence Export Facility, DGCG/SICP) this is especially evident when compared to earlier eras of sovereign industry backing – like in the early two thousands where government subsidies exceeded A$7 billion to support the automotive industry. These industries were pivotal to supporting war efforts in World War 1 and World War 2 but now cease to exist in Australia.

One local SME highlighted the impact of this gap, noting that their company has "received more funding support from the US than the Australian government."

Despite federal initiatives like the Australian Defence Export Office (ADEO), ODIS, and updated grant schemes – our interviewees consistently reported that export pathways are opaque, fragmented, and lacking depth of support. SMEs, universities, and new entrants struggle with where to start, how to comply, and who to contact — revealing a systemic lack of accessible, unified guidance to build sovereign capability. One interviewee was quoted by saying "*We're told to export more, but nobody tells us how. There's no one place to go for answers — every agency has a piece of the puzzle*."

Regulatory Complexity

Australia's Security and particularly Export Control legislation such as the *Defence Trade Controls Act 2012* (Cth)(DTCA)[30] is consistently cited as a significant impediment, widely regarded as overly bureaucratic, inconsistent, and poorly understood, particularly by SMEs and research institutions[31]. The compliance burden consumes disproportionate resources and raises the perceived risk of international engagement, limiting Australia's agility compared to allied nations. As evident within various research findings, the consistent theme stresses that any reform must balance simplification with sovereign control, especially given the new classified technologies flowing from AUKUS[32]. Strong support was expressed for the need of compliance and protecting Australia's national capability but similarly, implementing practical compliance processes with adequate support particularly for SMEs is critical.

The AUKUS agreement is recognised as the single greatest driver for modernising Australia's industrial base, offering access to advanced technology (Pillar I) and facilitating deep industrial cooperation (Pillar II)[33]. However, expert consensus warns that without proactive policy leadership, Australia risks becoming a junior partner in critical supply chains. The risk lies in the lack of alignment between Australian export frameworks and US regulations (e.g., ITAR), potentially creating a two-tiered system that excludes Australian companies from broader global markets[34].

Further, defence export statistics are not clear. Reported export values do not make sense, and the metrics used to rate ourselves for export does not align with international standards.

- There is an overall lack in transparency for defence exports that makes it difficult to analyse, and difficult to gauge for international customers[35].
- SIPRI rankings based on 'major weapons' and does not capture services
- Services Outperform Manufacturing in Value: Professional services ($3.5B) and IT ($1.93B) together now contribute more to Defence than traditional manufacturing contracts[36].

Increased regulations and liabilities make the risks too high for SMEs without enough resources to navigate it properly. This Australian regulatory complexity penetrates regimes intended to aid industry as well. Australia is viewed to have a world leading generous R&D Tax incentive regime, but it is also viewed as one of the world's most complex R&D Tax incentive regime to access, with success in SMEs receiving the incentive

30 Defence Trade Controls Act 2012 (Cth)

31 Paul J, Dhiman R (2021), "Three decades of export competitiveness literature: systematic review, synthesis and future research agenda". *International Marketing Review*, Vol. 38 No. 5 pp. 1082–1111, doi: https://doi.org/10.1108/IMR-12-2020-0295

32 Bec Shrimpton, George Henneke, "*Shake-up of Australia's defence export regime offers opportunities for AUKUS and beyond*", 22 Nov 2023, viewed Jul 2025, www.aspistrategist.org.au/shake-up-of-australias-defence-export-regime-offers-opportunities-for-aukus-and-beyond/

33 Australian Defence Magazine 2024, *From the Source | Pat Conroy*, Australian Defence, viewed Jul 2025, www.australiandefence.com.au/industry/interviews/from-the-source-pat-conroy1

34 Department of Defence (Australia) (2023), "*Impact Analysis: Strengthening Australia's Export Control Framework*", viewed Jul 2025, oia.pmc.gov.au/sites/default/files/posts/2023/12/Impact%20Analysis.pdf

criticised as 'unpredictable'[37]. Australia's complex R&D Tax incentive regime has also been viewed to not promote Australian innovation, where it has been recognised with some less generous and complex R&D Tax incentives in other foreign jurisdictions are more successful in promoting innovation[38], Recognising that R&D is only an input into the innovation process and not a driver – and innovation does not necessarily require R&D.

Turning to income tax more generally, the Australian corporate tax rate has grown from one lowest corporate tax rates in the world in the 1990s to one of the highest reported by the OECD today[38,39], with a reported 2024 effective tax rate of 28.5%, compared to the OECD average of 22%. Multiple interviewees commented that tax is another factor making Australia non-competitive from export perspective, noting that international Primes can have the benefit of being able to shift their primary country of export based on these economic factors, and when this occurs, they can leave behind an ecosystem of SMEs with demisable capability and trade. Whilst noting the Turnbull government led an initiative to lower the statutory corporate tax rate from 30% to 25% in 2018, this only resulted in a tiered system to grant the lower rate to businesses with a turnover of less than $50 million – a threshold which is unlikely to incentivise Primes in planning for desirable export origin markets on a global scale. A further view from industry is that the mining industry, and now hydrogen[40], seem to get all the attention for tax incentives, but never Defence Industry or Defence exports – which is counterintuitive for an industry held to be a national priority.

Lack of Coordinated Government Efforts

As evidenced by the Australian National Audit Office (ANAO)'s 2020-21 audit of the Defence Export Strategy (DES), it was found many policy strategies are well-articulated but poorly delivered. Although the DES claimed to create a "whole-of-government" system, the Department of Defence did not establish sufficiently robust planning and governance arrangements - including coordination between agencies — to support effective implementation – this is one of many examples illustrating disconnects, silos and ineffective alignment between federal and state initiatives.

When jurisdictions (federal and state) and agencies operate in parallel rather than in a unified way, industry must navigate 'hard to find' and inconsistent support schemes, ambiguous "first contact" points, and overlapping responsibilities. That complexity increases cost and risk for industry, particularly SMEs seeking to export — thereby reducing the overall effectiveness of the government's export-support architecture.

The results from our surveys show that the majority of companies make use of Austrade and State Government programs, however uptake of the other support options remain relatively low, with 18% of respondents stating they did not use any support systems at all. Fragmented jurisdictional responsibilities, limited accountability, and insufficient program evaluation were common criticisms.

37 Crhistopher Toms MA MAAT, "Comparing Global R&D Tax Incentives: Which Country Offers the Best Support?", 7 March 2025, viewed Jul 2025, https://www.randdtax.co.uk/comparing-global-rd-tax-incentives-which-country-offers-the-best-support/

38 Graeme Davis & Gene Tunny, 2005. "International comparisons of research and development," Economic Roundup, The Treasury, Australian Government, issue 4, pages 63-82, December. [https://treasury.gov.au/sites/default/files/2019-03/07_International_RD.pdf]

39 OECD (2024), *Corporate Tax Statistics 2024*, OECD Publishing, Paris, https://doi.org/10.1787/9c27d6e8-en.

40 *Future Made in Australia (Production Tax Credits and Other Measures) Act 2025* (Cth).

As a result, the findings indicate a failing to provide a single, consistent source of truth or advocacy point for industry ultimately impacting Australia's ability to move with speed and '*run the risk of missing their chance in the market*'.

Underleveraged Innovation and Niche Specialisation

While night now Australia cannot compete on scale – we can compete on specialty and unique capability. The research confirmed that a pathway to success can come from being in-demand or an indispensable, world-best provider of a niche capability. Australia's research strength in areas like cyber, space, AI, and quantum is not matched by effective commercialisation or export mechanisms. Dual-use technologies are underrepresented in defence procurement pathways. Furthermore, it was found key potential to link adjacent sectors such as Mining and Energy which could be leveraged to reduce risk and expedite export pathways.

Reliance on International Primes and Partners

Whilst Primes play a vital role in providing economic contribution and scale of investment, Australia's reliance on international primes has been a key contributor to a developing yet immature 'Center of Excellence' which is critical to the Australian Defence ecosystem. One of the recommended ways for a SME to enter the market is to partner with a larger company that has the resources, experience and customer base already.

With majority of Australia's top 10 Primes being internationally owned according to the *Australian Defence Magazine's 2024 annual report*, it creates significant challenges surrounding:

- Intellectual Property (IP): It is critical the IP of Australian innovation continues to be maintained and controlled without risk of being diluted or inadvertently tainted by foreign government jurisdiction such as Export controls as evident with the U.S ITAR. As commented by an interviewee: "Partnering is effective, but comes with complexity of managing IP."
- Conflicts of interest arising through commercial and economic drivers competing with features of the Australian market:
- with regards to Primes already competing products abroad being developed by parent companies in foreign markets, and those competing products are favoured over Australian SME developed products or content; or
- where foreign markets are economically more favourable markets to export Australian developed technologies from than Australia, and those technologies are transferred to those alternative jurisdictions to be manufactured and exported from, instead of being manufacture and sold from Australia.
- Reduced Appetite for Innovation: With majority of major platforms in Australia being internationally purchased designs run by internationally owned Primes it limits the ability and in most cases an appetite

for those designs to be innovated without a significant business case being approved by the foreign stakeholders.

These various challenges of working with international Primes drive a greater Australian SME reliance on international partners for access to core elements needed to further develop Australian design such as specialised training, access to complex test and accreditation facilities, and the inner know-how of Australian purchased and operated capability in the hands of our own warfighters. The trade-off however, is that the internationally owned Primes do bring international perspective, export experience, skills, jobs, and innovation to the Australian ecosystem. This generates partnering opportunities for Australian SMEs to leverage exports, but many SMEs are often guarded by protecting their IP and concerned around taken advantage of by the international Primes for these opportunities to be fully explored and realised.

Under the recently established Australian Defence Strategic Sales Office (ADSSO), it appears the Labour government shares a similar view that closer links with foreign primes is the path to export [376]. Perhaps to balance this power of the Primes in these SME relationships, the Labour government's first list of key technologies determined for sale under the ADSSO initiative are to be exported directly by the ADSSO itself, and not the Primes which have led the development of those items[30].

Capability to Market Maturity Loop

Australia's strategic sovereignty is dependent on its ability to transition its innovation from low Technology Readiness Levels (TRL) to high TRL and subsequent export success. A key finding is the risk-averse procurement culture of the Australian Defence Force (ADF), which often requires domestic companies to "sell overseas first" to gain the validation needed for local contracts. This makes it particularly difficult for companies to develop their TRL to a point that is desirable by global customers when there is a lack of domestic sales opportunity. It limits local innovation and inhibits companies' ability to develop the TRL level necessary. Furthermore, International buyers' confidence increases significantly when a product has been validated by a domestic first customer. Without local adoption, TRLs stagnate, further weakening global trust. ADF endorsement is especially important — without it, gaining credibility is markedly more difficult.

This dynamic creates a "valley of death" between research, commercialisation, and eventual export.

As stated by a major prime "*Our own government doesn't buy first, which results in missed opportunities. They only act in the now instead of looking ahead.*"

In addition to this, there is a lack of investment certainty, which adds risk to companies looking to develop new capabilities.

Recommendations

Growing Australia's National Export Capability and Capacity

There is a clear requirement to invest in Australia's shared industrial capability, address critical national skilling gaps, and improve national literacy to build a scalable sovereign Defence export ecosystem. It is recognised that Australia's ability to grow defence exports is fundamentally constrained by workforce shortages, fragmented capability enablers, and low public and industry-wide understanding of export pathways and compliance requirements, and this needs to be overcome strategically.

A. Build Scalable National Skills Capability and Capacity

Australia cannot grow export competitiveness without targeted action to expand and protect the specialist workforce required to design, certify, build, and sustain sovereign technologies.

To ensure a whole of government approach is maintained, led by the Honourable Andrew Giles, MP, Minister of Skills and Training and Industry should jointly work together on the following initiatives:

- Develop a National Defence & Exports Skills Plan, mapping priority trades, engineers, technicians, cyber specialists, and export-control professionals required for AUKUS Pillar I and Pillar II supply chains.
- Fund national training pipelines (TAFE, apprenticeships, micro-credentials, and university programs) aligned to export-critical roles, including test & evaluation, certification, systems integration, export controls, and sovereign sustainment.
- Stand up shared training centres co-designed with primes, SMEs, and universities to ensure a continuous pipeline of industrial skills capable of supporting high-TRL commercialisation and export.
- Protect and retain specialist talent through targeted incentives, secondment programs, and industry–government mobility pathways.

B. Improve National Literacy on Defence Exports

A recurring finding in the research was the low literacy across government, industry, and the public regarding defence export pathways, compliance requirements, and Australia's sovereign obligations. There is a shortfall a range of ADI participants in not knowing what the type of advice is they need to seek at the right stage of their export journey, and inadequate signposts to guide them.

To address this, the nation needs:

- **A coordinated national education campaign** leveraging DEC's current '*Addressing Recommendation 4: A strategy to build export control compliance expertise'*[41] initiative in response to the *Independent Review of the Defence Trade Controls Act 2012*[42] following the and go one step further by calling on universities to develop a Defence specific internationally recognised accreditation system focusing on broader

41 Addendum to Addressing Recommendation 4 Strategy, Defence Export Controls, Department of Defence 2025

42 Tesch, P., & Samuel, G. (2023). Independent Review of the Defence Trade Controls Act 2012. Retrieved from Defence: www.defence.gov.au/sites/default/files/2024-03/Independent-Review-of-the-Defence-Trade-Cont...

international trade compliance needs to enable wholistic education not just focusing on export controls. Successful execution would help shine a light on Defence trade compliance and attract new professionals to the field uplifting overall accurate understanding of domestic and international trade compliance with a specific focus on Export Controls.

- **Marketing and Awareness programs for the broader supply chain and new entrants** offering a 'crash course' on what considerations need to be made when entering the Defence sector, how to access the various types of support, how to build TRLs, and how to prepare for global supply-chain participation.
- **Greater transparency and consistent reporting** on defence export performance to build confidence, improve accountability, and enhance international credibility.

C. Invest in Shared Industrial Capability & Unified Brand

- Expand test, trial, and certification facilities that allow Australian technologies to reach higher TRLs domestically. This is a call on ASCA, with proactive engagement with Army, Navy and Air Force, as well as proactive participation from Commonwealth regulators (i.e. Defence Aviation Safety Authority (DASA)) and existing Commonwealth test facilities (i.e. National Measurement Institute) for greater intra-agency collaborations to work with Australian SMEs and guide them on their solution development processes.
- Establish shared manufacturing and prototyping hubs to reduce duplication, accelerate time-to-market, and support SME export scale.
- Unify Australia's defence export identity through a strong 'Made in Australia Defence' brand that showcases niche sovereign strengths globally. This is ultimately a Commonwealth Defence Industry portfolio opportunity, but the authors view implementation of this solution could be best realised through a shared Government, Industry, and Industry Body administered model (akin to a membership association), as each representative body will have their own unique perspectives to serve, and each of these should be balanced for this type of initiate to initially succeed, obtain appropriate buy-in, and endure.

D. Build a Coordinated Export Pathway

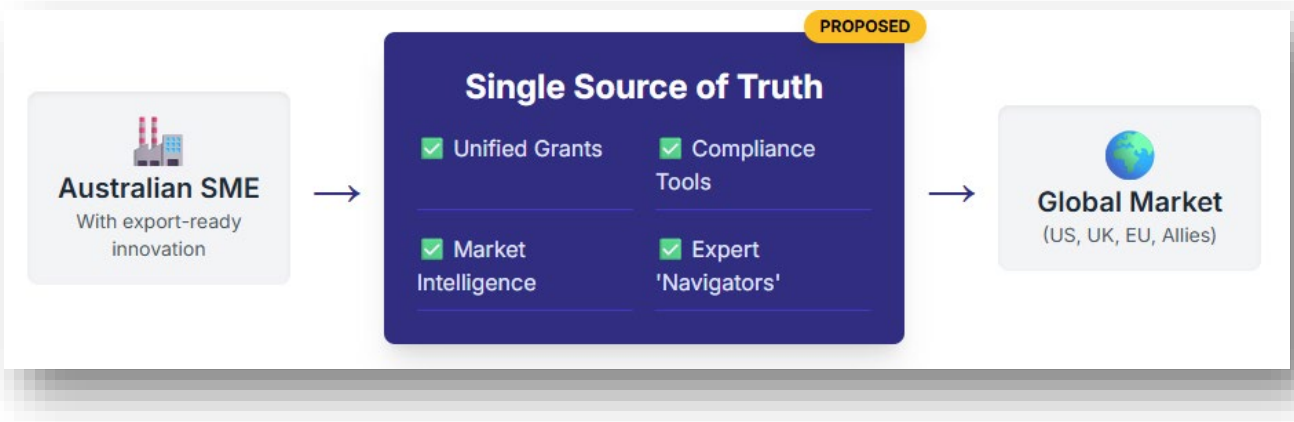
Facilitate enhanced domestic demonstration, utilisation and acquisition by Defence as a springboard for export credibility and growth for local Industry, solving the "sell overseas first" dynamic as well as the difficulties in advancing TRL for early-stage businesses. This can be an achievable solution coordinated by Government exercising its available policy levers and utilising the Australian Defence Export Office (ADE) to further champion the initiative. If export is a priority it needs to be accompanied with:

- Appropriate funding and Defence export activity specific tax breaks and incentives that benefit SMEs and Primes, considering the different contributions and roles each play in the ADI ecosystem, and what their different commercial motivations are, with enhancements application predictability and simplification.

- Leveraging the existing work by the ADEO, a deeper coordinated effort involving the State and territory governments to closely harmonised the national strategy to mitigate potential duplication and maximise coordinated effort for national success.

Bringing it all together: Establish a National Approach and Enabler

Drawing on these recommendations, there is a clear opportunity to create a single 'source of truth' to guide SMEs from start to finish, removing the "fragmented maze" of current support systems. This national approach could take the form of a government-led and managed public-facing system, or an industry-body-led platform with government endorsement and input.



To effectively break the cycle of stagnation and serve as the delivery mechanism for the proposed policy levers, this platform would require a suite of integrated modules designed to centralise the export journey:

- **Unified Opportunity Pipeline:** A rolling 5-10 year view of domestic procurement and international export opportunities, aggregating data from Defence, Primes, and State agencies to provide industry with long-term investment certainty.
- **SME Readiness 'Passport':** A central digital profile for SMEs to verify and showcase their certifications (security, cyber, quality), export readiness status, and 'Buy to Export' validation achievements, streamlining due diligence for international buyers and Primes.
- **Market Intelligence Hub:** A tiered database of target markets (Tier 1, 2, and 3) offering tailored regulatory guidance, cultural insights, and specific capability gap analysis to help businesses target the right opportunities.
- **Support & Grant Navigator:** A consolidated portal for accessing export finance, R&D tax breaks and incentives, and the "Export Accelerator" grant programs, removing the complexity of navigating multiple disconnected government websites.
- **Shared Capability Booking System:** A digital registry to locate and book time at sovereign test, integration, and certification facilities, maximizing the utilisation of national infrastructure.

- 'Team Australia' Brand Asset Library: A repository of unified marketing materials, case studies, and 'proven capability' narratives that industry can leverage to present a cohesive national brand at international trade shows.

Conclusions

Skills shortages are limiting the capacity of SMEs to scale and export. Mobilisation is inherently a people problem. – we need national-level planning to ensure that specialist engineering, trades and technical skills are available, protected and scalable.

AUKUS: Opportunity and Risk

While AUKUS presents significant opportunity for accelerated industrial collaboration and export streamlining, it also raises concerns around sovereignty dilution, tiered access, and increased dependency on U.S. systems.

Australia's ambition to achieve sovereign industrial resilience is clear, but the current trajectory is insufficient to achieve it. As Deputy Prime Minister Richard Marles stated, '*sovereignty is no longer just an economic issue; it is a national security imperative defined by our ability to export*'. However, our research confirms that despite world-class innovation, the Australian defence industry is hamstrung by a fragmented support ecosystem, a domestic procurement culture that fears risk, and a regulatory burden that discourages global engagement.

The Strategic Imperative: The AUKUS partnership presents a generational paradox: it offers unprecedented access to allied supply chains, yet it threatens to dilute sovereignty if Australia cannot stand on its own two feet. As our research highlights, mobilisation is inherently a people problem. Without national-level planning to ensure that specialist engineering and technical skills are scalable and protected, Australia will struggle to meet the demands of AUKUS Pillar II. We cannot simply *buy* our way to sovereignty; we must *build* and *export* our way there.

The Path Forward: To reverse this trend, Australia must move from ad-hoc support to a unified national offensive. Team Uno's recommendations provide the blueprint to:

1. Unify the ecosystem through a National Export Office that guides SMEs through the "fragmented maze".
2. Bridge the capability gap by funding shared infrastructure and mandating "first customer" procurement to prove our technology at home before selling it abroad.
3. Project strength through a unified 'Made in Australia Defence' brand that champions our niche capabilities to the world.

Implementing these recommendations will not only improve our economic competitiveness but ensure that the Australian Defence Force is supported by a resilient, battle-tested, and globally connected industrial base. The time for "potential" is over. It is time for execution.

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