



# Potomac Institute for Policy Studies

*Science for Policy, Policy for Science*

## **Operationalizing Pillar 2 of the Australia – United Kingdom – United States (AUKUS) Partnership:**

### **Clearance and Classification Policy**

#### *A Roundtable Summary*

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*Global Competition Project (GCP) White Paper Series*

### *About the Potomac Institute for Policy Studies*

The Potomac Institute for Policy Studies is an independent, non-partisan, 501(c)(3), non-profit science and technology policy research institute. The Institute identifies and leads discussions on key science and technology issues facing our society. From these discussions and forums, we develop meaningful policy recommendations and ensure their implementation at the intersection of business and government.

### *About the Global Competition Project*

The Potomac Institute for Policy Studies regularly engages with a spectrum of experts to elevate insights on the primary challenges and opportunities associated with science and technology policy and national security. The Institute's Global Competition Project (GCP), focused on societal level competition, develops foundational references for national security professionals, policymakers, industry leaders, and others while driving awareness in how the U.S. might address the most consequential aspects of the globally competitive environment. The Project has delivered on that goal through its research, publications, panels, and continuous dialogue, all through the lens of the Institute's mission intersecting science and technology, business, and government.

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## INTRODUCTION

The Australia – United Kingdom – United States (AUKUS) security partnership, announced on September 15, 2021, was a watershed moment for the coalition’s competition with China in the Indo-Pacific region. Intended to “promote a free and open Indo-Pacific that is secure and stable,”<sup>1</sup> the trilateral initiative consists of two primary lines of effort. Pillar 1 of the agreement, which hinges on the US and UK sharing nuclear propulsion technology and the delivery of nuclear-powered submarines to Australia, has received the lion’s share of attention.<sup>2</sup> Pillar 2, focused on the joint development of advanced technological capabilities, is gaining traction and arguably has far greater potential for economic and security impact and cooperation among the AUKUS partners.

The Potomac Institute for Policy Studies, in collaboration with 401 Tech Bridge, hosts a series of closed-door virtual roundtables with representatives from government, industry, and academia, to address key challenges and opportunities associated with the co-development of advanced capabilities under Pillar 2 of AUKUS. On August 21, 2024, Potomac Institute convened experts from across the three countries to discuss the impact of clearance and classification policy, practice, and processes on Pillar 2 implementation.

## KEY ROUNDTABLE THEMES

Clearance and information classification policy represents an ever-present hurdle to technological and defense industrial collaboration between the US and its allies and partners. Even within the US government, over-classification prevents information sharing and effective interagency cooperation. However, AUKUS initiatives have provided a catalyst for change.

**AUKUS has become a driver within the defense community for addressing long-standing classification challenges.** Advocates for clearance and classification reform are leveraging the momentum behind AUKUS to tackle long-standing impediments to cooperation both between the US and its UK and Australian allies and internally within the US and the Department of Defense (DOD). AUKUS has provided the foundation for reforming US International Traffic in Arms Regulations (ITAR) – an important but slow-moving effort which has enjoyed recent acceleration.<sup>3</sup> Unfortunately, not all reforms move at the same speed, even when related. For example, despite progress on ITAR, Technology Security and Foreign Disclosure (TSFD) are separate processes that further complicate tech transfers, particularly in the context of Foreign Military Sales (FMS).

Pillar 1 and Pillar 2 efforts have moved in tandem, with progress under Pillar 1 often facilitating clearance and classification initiatives under Pillar 2. For example, both Pillars 1 and 2 of AUKUS spurred a recent DOD sprint to grapple with information sharing protocols, security standards, international agreements, and issues under the DOD Chief Information Officer (CIO). Once the findings and solutions are reported to the Secretary of Defense, the DOD will seek to “tri-lateralize” reform efforts with UK and Australian partners and with industry. Yet, while all three governments,

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<sup>1</sup> The White House. (2023, March 13). *Joint Leaders Statement on AUKUS*. Whitehouse.Gov. <https://www.whitehouse.gov/briefing-room/statements-releases/2023/03/13/joint-leaders-statement-on-aukus-2/>.

<sup>2</sup> Eckstein, M. (2024, May 9). *What has the AUKUS alliance accomplished in the last year?* Defense News. <https://www.defensenews.com/naval/2024/05/09/what-has-the-aukus-alliance-accomplished-in-the-last-year/>.

<sup>3</sup> <https://natlawreview.com/article/ddtc-issues-long-awaited-rule-implementing-aukus-five-key-takeaways>



the US, UK, and Australia, acknowledge the need for clearance and classification changes, those responsible for AUKUS implementation report that policymakers still struggle to recognize the full scope of the challenge and the real consequences of not addressing those challenges.

**Proposals in the US Congress are lending additional support to classification reform efforts.**

Legislative efforts aimed at reform are gaining steam, most recently in the form of the proposed Classification and Reform for Transparency Act of 2024, S.4648, introduced by Senator Gary Peters (D, MI). The bill would “require the President to establish a task force on streamlining the classified national security information system and narrowing of the criteria for classification of information, to make improvements with respect to such classification system, and for other purposes.”<sup>4</sup> Although this proposal is a step in the right direction for reforming the classification ecosystem in the US, it fails to address alignment issues with UK and Australian counterparts. The United Kingdom and Australia now recognize each other’s classifications of sensitive information, but the United States remains the odd man out. Effective information sharing across AUKUS partners necessitates a common definitional landscape for classification (to start). As Congress pushes to reshape classification policy, reform must incorporate considerations for the US relationships with the UK and Australia under AUKUS (as well as other close allies and partners, like Canada and Japan), especially with consideration for the Agreement’s goals for capability co-development and interoperability.

Roundtable participants noted a second issue of consequence requiring Congressional attention to fully realize AUKUS goals was the gap between authorization and appropriations. Congress has authorized, in law, a litany of substantive policy changes that directly support AUKUS goals – including ones touching on classification. However, appropriations to fund those initiatives remain inadequate to meet the level of demand (and need) for policy change. This lag between Congressional authorization and appropriations continues to stunt reform and ultimately the practical cooperation among the partners.

**Funding hurdles aside, human capital constraints represent a single point of failure.** Only a small number of subject matter experts (SMEs) across the US, UK, and Australian governments—approximately 15 to 25 individuals total—hold classification and clearance reform in their policy portfolios. However, it is just one issue in their portfolios competing with a spectrum of others, many of which garner higher priority and attention. Respective governments have tasked the SMEs with addressing other adjacent issues and barriers for AUKUS (such as ITAR reform). As such, bandwidth for clearance and classification reform remains severely constrained. At the same time, the US government faces an ever-shrinking pool of talent as SMEs retire without replacement, especially focused in niche areas like classification. Clearance and classification policy is a regulatory thicket of immense dimensions and requires substantial knowledge and experience to navigate. Without recruiting and training new talent into the workforce or leveraging industry expertise, staffing will remain a sincere challenge.

**A risk-averse culture hinders reform efforts.** Senior leaders have exhibited more risk appetite for information sharing and other reforms that will energize AUKUS partnerships. However, the organizational subcultures responsible for executing information sharing remain highly risk averse.

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<sup>4</sup> Classification Reform for Transparency Act of 2024, S. 4648, United States Senate, 118th Congress (2024). <https://www.congress.gov/bill/118th-congress/senate-bill/4648/>



Overclassification remains a crutch: fear of liability drives individuals to conclude that it is safer to not share information than to risk the consequences of its loss or mishandling. That said, using “need to know” as a baseline for a decision to share is still a good and valid practice, but associated guidance remains vague and therefore disincentivizes sharing. In the context of AUKUS and other international partnerships, “Not Releasable to Foreign Nationals” (NOFORN) has become a misused default safety net to cover the perceived risks of information sharing. As a result, the culture around classification works well to protect sensitive US information. Yet, it hampers the ability to work effectively and at the speed of relevance with close allies, including the UK and Australia. Exacerbating the challenge, US adversaries are usually willing to take more risk in this area. This drives home the conclusion that risk aversion (at least at lower echelons, at the levels of practice) is a major barrier to trilateral information sharing between the US, UK, and Australia adversely impacting the goals of the AUKUS agreement.

## INITIAL CONCLUSIONS

Momentum from AUKUS initiatives has provided a catalyst for change in policy and practice by industry and governments of partner nations. While clearance and information classification reform is not completely stagnant in that regard, it continues to be a significant hurdle to necessary technological and defense industrial collaboration between the US and its allies and partners.

Clearance and information classification reform will require consistent dialogue, collaboration, and messaging that places the AUKUS end-state vision for security and prosperity at the forefront. Government and industry leaders must be armed with meaningful metrics that support their decision making if they expect to break policy as well as cultural and organizational barriers inside and outside government.

Impactful reform to information classification and clearance norms and guidance will require a long-term approach with specific targets over time. Substantive milestones might include: Establishing adherence agreements for common standards and definitions among partner nations; changing the US regulatory definition of “NOFORN”; codifying growing concentric circles of trust on who classified information is shared with based on risk appetites and “need to know”.

A human capital pipeline savvy to the theory, policies, and practice of information classification and clearances must be deliberately developed from the existing but waning population of industry and government experts. Specifically, the government should garner insight from (and even recruit) industry players with deep experience guiding successful classified programs (B-21 bomber, etc.) to capture requisite institutional knowledge and to inform planning for workforce longevity in the private sector and in government.

