Executive Summary

Australia has invested heavily in the American alliance but is at the point of losing sight of the capability to operate independently. It is indeed questionable whether there is in any real sense an Australian strategy that operates to any meaningful degree outside the alliance. That in turn leads to the pivotal role of Quadrennial Defense Reviews in shaping Australian procurements. There is a need for an unheralded strategic assessment of Australia’s maritime role. Such a review should be based not only on surface capability and operations to the North but also on the Southern Oceans and the potential role of submarines to operate there. Beyond that the sustainment of submarines should be based on a frank reassessment of nuclear propulsion and the factors that inhibit the development of such a capability.

The Defence Issues Paper: A discussion to inform the 2015 Defence White Paper introduces the section ‘Defining Defence Capabilities’ with the observation that Governments must make ‘tough choices’ in the range of capabilities that it can acquire and maintain. Pointedly the authors stress that ‘a submarine is not an effective form of military capability unless and until it has a trained and experienced crew, is equipped with the necessary weapons and sensors, has access to logistic support and sustainment and is operating within a network of other capabilities such as surface ships and aircraft.’ This submission seeks to address this comment but not as simply a question of defence capability. It will do so with respect to the Paper’s call for an alignment of policy, capability and long-term strategy. In so doing it makes a number of assumptions:

1. That it is in Australian interest to continue to work closely with key allies across the diplomatic and defence spectrum. The complexity and costs of modern warfare, which operates in all dimensions from outer space to cyberspace makes, such a proposition obvious. But it is also obvious that interoperability requires not only information sharing but the means to gain technology and technical competencies. History indicates that no one ally may fulfil this objective.

2. That Australia should ‘think the unthinkable’ and continue contingency planning and the development of the means to operate in the traditional Australia Station / Radford Collins operational area. This may involve operations against low level threats, raids and even small conflicts. It should certainly involve active planning and development of capability to operate not only in the so-called ‘arc of instability’ across the island chain from the Indian Ocean to the Pacific, but also in the Southern Oceans (albeit the region below 60°S should command the strongest scientific and environmental effort).

3. That Australian strategic strike options will continue to be central in planning, allowing for the longer lead times in realising such a capability. This has in the past tested Australia’s relations with both Britain and the United States and it is far from certain that this will not be
an area for future concern. The issue will be where the line is drawn as to what the United States is prepared to support both technically and operationally.

4. That it cannot be assumed that the United States, in ‘pivoting’ to the Asia-Pacific-Indian Ocean area, is necessarily adopting a new standard with respect to Australian defence capability. As the failure to make available the F-22 or nuclear propulsion for RAN submarines makes apparent, Washington is aware of the potential for competing demands among its own allies. But it is also aware that some, such as Britain, have adopted capabilities that better equip them for high order conflict and to have the right to use these capabilities independently when necessary.

5. That it has always been in Australia’s national interest to ensure not only a viable defence force but the means to sustain it to the maximum extent possible from Australian sources. The principles of imperial defence in the six decades after Federation called for a robust regional defence capability and an economy to sustain such a capability. Significantly that operated in an economic context. The health of the Sterling Bloc was as important as the maritime networks that underpinned it. It is not at all clear that the increasing centralisation of defence supply and C4ISR assets will leave Australia with an economically and ultimately operationally sustainable defence capability.

6. That it is Australia’s national interest to make clear in fact and not simply in declaration that in joining such regional groups as the Transpacific Partnership that it is not containing China. China has been accused of becoming a revisionist power but the origins of its modern success lay in Nixon’s accommodation of China in the early 1970s. Australia was a willing partner in that accommodation.

**Key Issues:**

1. The United States has been the dominant security partner for a global network of allies but as others have commented (Behm, 2007), it has not always been forthcoming with many essential technologies. Nuclear and missile technologies are obvious cases. It is important that Australia leverage the alliance and this seems to work where there are common threat assessments and a need for joint operations. Ground operations, special force deployments, convoy and sea lane protection, constabulary work and aid work all afford opportunities for this to occur. So does cooperation in conventional conflicts. In the event of high-tempo conflicts it will be important to have advanced systems such as those envisaged for the Air Warfare Destroyers. But where will they operate and against whom?

2. In the Defence Issues Paper the role of geography is seen variously as ‘an asset’ but the authors note that beyond ‘the immediate region’ operations are ‘more difficult’. The sleeper here is what is meant by ‘the immediate region.’ Since the 1980s and later, changes with respect to the Law of the Sea have delivered Australia the most extensive maritime jurisdiction on the planet. During the Cold War there were few proliferation concerns in the Southern Oceans. The Falklands conflict in 1982, however, was a warning that the competition for resources that have been evident in the Arctic could also be a feature of similar conflict in the Southern Oceans. A feature of that conflict was the use of nuclear
submarines that were able to deny the Argentine Navy a role in the ensuing conflict. This conflict occurred despite the Antarctic Treaty of the late 1950s which has put the scramble for resources and territorial claims on hold. The 1980s Law of the Sea changes, however, have potentially highlighted the need for Australian urgency in evaluating the possibilities of future conflict in the Southern Oceans (Reynolds 2013). There have certainly been warnings.

3. The focus on China as a potential future threat is too narrow. Northeast Asia has other centres of power and pointedly some with robust maritime capabilities. Kurt Campbell, the former Assistant US Secretary of State for the Asia-Pacific, was prepared to ‘think the unthinkable’ when he considered the options for Japan in future to develop a nuclear weapons capability (Campbell, 2004). Claims that references to Japan’s threats in World War II are xenophobic miss the point. As Joseph Nye has observed, Japan ‘has an impressive historical record of reinventing itself twice’ – in the Meiji era and after 1945 (Nye, 2013). Japan was a British ally in 1902. It was seemingly reconciled to the Washington Treaty naval limits after 1921, and was Australia’s second best trading partner in the late 1930s. None of this stopped a rapid descent to war, especially after July 1941. Pointedly Australia had no submarines and very poor air defence. It did have an interoperable army in the Middle East and cruisers to protect Britain’s sea lanes and forward bases. Fortunately the Japanese did not use their submarines far from their main surface fleets.

A current view that attracts support is that US conventional power holds Tokyo and Seoul from arming themselves with nuclear weapons (Callick, 2013). But there is more to assessing future risks than nuclear weapons. When Friedman and Lebard penned their best seller *The Coming War with Japan* they predicted the possible use of nuclear power to propel naval vessels to the Indian Ocean (Friedman and Lebard, 1991). The Soryu Class submarine can already operate as far South as Macquarie Island (but apparently short of 60°S and the Antarctic). Professor Kazunias Ogawa warned recently of the possibility of tensions between the key ‘spokes’ in the Asia-Pacific alliance system when he warned that Japan would resist sharing its ‘secret technology’ developed over decades on hull strength and quietness (ABC, 2013). It is, therefore, possible that despite every effort to reconcile historic tensions in the Antarctic Treaty Area and the Southern Oceans, that future clashes might occur.

4. Given the sorry history it may be over-blown to talk of an Australian ‘strategic strike capability’ but it would indeed be an advantage to flag, as one analyst put it an epoch ago, the ability ‘to rip an arm off’ in Australia’s defence region (using the broad term to include the expanses of the Southern Oceans). Given the need for range and endurance nuclear propulsion is a critical factor in planning future submarines. The Nuclear Non-Proliferation Treaty and the associated IAEA safeguards arrangements did not prohibit the development of nuclear propulsion – but the United States did (Reynolds and Lee 2013). ANZUS had been agreed in 1951 and with it the Radford-Collins Agreement governed a regime of limited – in space and function – regional naval cooperation. The United States extended nuclear deterrent has underpinned the alliance system in Asia but needs to accommodate a broader and more complex security arrangement and the role of nuclear propulsion in its bilateral arrangements with Australia.
Historically there seemed some commitment in Washington to provide advanced air defence and regional strike capabilities. The purchase of the TFX/FIII in hindsight is surprising. Not so surprising was the lack of air to surface weapons that would have given them teeth. JASSM might foreshadow a change of heart but it seems that limited range / tactical platforms are to be the order of the day with respect to air and sea defences. Heavy air and surface lift, on the other hand have a far better fit into alliance operations.

The key question with respect to strategic strike is where the line is to be drawn. The decision to withhold sale of the F22 and to offer the F35 seems more in keeping with delivering a theatre capability for use by the Marines and their allies. In the case of the Collins Class submarine, the strategic strike platform to replace the FIII, the line has been drawn by putting the submarine outside the usual operations undertaken by the nuclear-powered US Navy. The attempt to develop a RAN conventional submarine in the 1980s herein was a huge strategic risk and an expensive departure from sensible defence spending. The decision was, moreover, taken by a Government that not only stopped long term research into the development of enrichment that may have powered the submarine, but also one that abolished the Atomic Energy Commission itself. It is not at all clear how one of the world’s most potentially advanced laser enrichment projects came to be apparently sold to the United States, but it is quite apparent that an adequate submarine capability will need nuclear propulsion (albeit a capability that may evolve in the successive construction of post-Collins vessels). The strategic reality is that regional powers such as Russia, China and India already possess nuclear submarines.

There may be no alliance measure to get around this. It is hard to see Washington giving Japan the option to develop nuclear submarines. It is certainly not in Australia’s interests to have them in the Southern Oceans. Yet Japan, the Republic of Korea and Australia would all expect to have similar treatment from the United States. Australia might be able to engage Anglo-French help but this will require at least tactic American support. And history gives little room for optimism on this score.

ANZUS, however, provides the framework for a serious discussion on the issue. Australia, cannot walk away from its geography. Defending Australasia has never been just a matter of the defence of a continent but about the defence of the India, Pacific and Southern Oceans. Diplomacy, norms and international law are all crucial, but it is not enough to assume that the Antarctic Treaty will forever provide adequate protection. Nor can it be assumed that as the world improves deep sea drilling and recovery technology that the peaceful joint commercial exploitation of resources will be the norm. In any event a robust maritime defence capability will be a step in denying future adversaries the means to threaten an area which sits immediately behind the vast bulk of the Australian population.

5. It is time to face the facts about one of the salient features of the US-Australia trade relationship. It was unfortunate that the United States was held up as Australia’s leading economic partner. There is no gainsaying its importance as an investor and source of loans, but there has been a collective amnesia about the history of the balance of bilateral trade. The United States has always run a huge positive balance of trade with Australia (see for the latest
figures *Australia’s Trade with the Americas*, DFAT, 2013). Australia’s persistent negative balance of trade has been a source of great historic tension. Prime Minister Joseph Lyons in 1936 instituted a Trade Diversion Treaty against the United State over the growing trade imbalance, prompting a rally in local manufacturing. Lend Lease in the Second World was the cause of bitter misgivings with Washington’s refusal to support local industry. In 1957 Eisenhower ruled out Australia’s potential role as a key logistics base along the lines proposed by earlier imperial defence planners. Car manufacturing, petroleum, space exploration, ship building, computing, nuclear power and many other areas were to witness little by way of significant technology transfer. In none of these areas did Australia develop a significant commercial advantage. If an already marginalised and fragmented defence supply industry is to fit into international supply chains, and that sector enjoined to fit into the broad directions of the Pentagon’s Quadrennial Defense Reviews, it is hard to see where the projects are going to come from.

6. And here there is a potential problem with sourcing supplies from commercial companies. The role that the United States has played, consistent with its post-war policy for Japan, has been to develop an Asia-Pacific economic community. *Within this* trilateral arrangement Australia developed a crucial role as a supplier of resources. By the time of the 1989 Garnaut Report there was a sense of a broad community of economic interest and one in which China would play an increasingly important part. Pointedly, tensions between Washington and Tokyo over trade saw a robust response from Canberra: Asia was Keating’s ‘big picture’ and Australia would never join a trade was against Japan. Hugh White has simply pointed to a fact of evolution. China is bigger than Japan and Asia is still the main game. The Trans-Pacific Partnership, a program about which the public has little information, may well portend the formation of a trade and investment bloc that not only alienates an important market, but also distorts the commercial choices that Australian companies can make.

There are here significant issues for Australian strategy. A declaratory – and worse – operational defence policy that harks back to a half century strategic model contains significant risk. It is not only a question of trade and diplomacy. Fighting a war with expensive surface vessels, especially if the USN is in effective control of the platforms, against China makes little strategic sense if other priorities are distorted. The Ryuku Chain may end up absorbing more defence dollars than the Southern and Indian Oceans.

*The Current Challenge.*

The United States has long had a commitment to the Asia-Pacific and has underscored this aim with the Obama Administration’s apparent ‘pivot’ and the Trans-Pacific Partnership. These initiatives come at time of significant change, especially with respect to a number of crucial treaties that have underpinned the post-war order in the region. Indeed the concept of ‘region’ itself has changed. American Allies now range across the Pacific in exercises to protect sea lanes, to enforce measures such as the Proliferation Security Initiative and to operate with USN task forces. Interoperability is a crucial factor in the rising defence budgets of America’s allies but there is also a risk of ‘hedging’ with capabilities needed for independent action.
Power projection could well prove to be a two-edged sword. Since the 1969 Guam Doctrine allies have developed strategies of self-reliance, in part because that is what every administration since Nixon wanted, and in part because they sought to hedge in the event of unpredictable future conflicts. But there are dangers in attempting to reconcile alliance obligations with the development of local and regional defences. The Republic of Korea, as a case in point, is aware of the potential for conflict not only with China but also a rising Japan. The 2014 Japanese Defence White Paper noted the importance of the rotational deployment of US submarines through Guam but also commits the country to acquiring a fleet of 22 submarines and 54 destroyers (Defense of Japan, 2014). The fleet is poised to operate with Aegis destroyers in waters threatened by Chinese Anti-Access / Area Denial capabilities. It is conducting talks with India and developing capacity to conduct amphibious operations. It has long gained experience in joint operations in RIMPAC. Japan is also reaching out to partners in the development of defence equipment, such as Britain. Other partnerships offer the potential for future use, exemplified by Hitachi partnering with General Electric and the Canadian Company Cameco in testing laser enrichment technology (http://www.gepower.com/press/en/2008).

In the immediate term there is no reason to doubt US capacity to keep Japan close or to doubt that diplomacy and economic cooperation will trump strategic competition. But the Abe Government is poised to resume whaling in the Southern Oceans and thereby rekindle an issue of some moment in the bilateral relationship. The issue here is that Australia has long claimed extensive maritime areas. There is a clear tension between funding adequate capabilities for the Royal Australian Navy that must potentially deny these waters to adversaries on the one hand, and on projecting power forward on the other. It is in Washington’s interests to have allies contribute towards maritime security and to help them to do so. It is also in Washington’s interests to ensure that funds are not diverted to programs that are likely to be costly and that produce substandard capabilities. The Collins-class submarine was a scaled-down version of Britain’s attempts to develop a nuclear submarine capability as a follow-on deterrent to replace its bomber force which was capable of independent action globally.

What happens in ANZUS, herein, will have an impact on other American allies. There are possibilities that conflict in the Southern Oceans could lead to the proliferation of nuclear propulsion for submarines. Stealth, distance and capability all point to the advantages of such developments. India is already investing in such capabilities. Japan is restating its nuclear program and investing in long range submarines, albeit with Air Independent Propulsion. RIMPAC and similar exercises point to the need for region-wide commitments by allies but are also a reminder of the significant limits imposed by interoperability.

Nuclear submarines have been ruled out on the apparent premise that Australia does not have a nuclear industry to support them. Australia needs to take stock of its options for a nuclear future urgently. But the United States may not be well placed to initiate significant changes in the nuclear order. As prominent nuclear engineers Per F. Peterson, Michael R. Laufer and Edward D. Balndford have argued in the May/June 2014 issue of Foreign Affairs, ‘Washington must put its own house in order’ if it is to make U.S. technological leadership
more credible. But that does not seem imminent. On July 7, 2010, the Congressional Research Service prepared a paper titled ‘US-Australia Civilian Nuclear Cooperation: Issues for Congress’. The thirty year agreement was due to expire on 16 January 2011 and there were important developments that needed to be addressed before another thirty year agreement could be signed off. Australia was, the report stressed, a ‘strong partner to the United States in non-proliferation policy,’ a ‘staunch supporter of the Non-Proliferation Treaty’ and has ‘promoted strengthened International Atomic Energy Agency safeguards civilian nuclear activities’. The report noted, however, that while the Australians had transferred enrichment technology to the United States ‘[I]n the event that Australia reverses current policy and decides to build a uranium enrichment plant on its territory, it would face several obstacles, and the United States would have to reconcile its policies’ (Niktin, 2010).

And this after five years after the taskforce appointed in June 2006 by the Howard Government to review uranium mining and processing concluded, ‘for Australia to possess such a large proportion of the world’s uranium resources - approximately 40 per cent of the global total- and not to have taken up opportunities over the past 35 years to develop uranium enrichment industries is highly regrettable’. The committee noted that significant export earnings had been lost, sophisticated technologies left undeveloped and some $100 million of public expenditure wasted by the time of the Hawke Government’s decision to terminate the enrichment research undertaken by the Australian Atomic Energy Commission. Such a role may have been suggested by George W. Bush’s Global Nuclear Energy Partnership but discussion here has been muted since the political demise of both Bush and Howard.

Yet the United State has been moving closely to India, a power that is increasingly important around the Indian Ocean Rim. This has both strategic and diplomatic implications for Australia. On the eve of President Obama’s visit to Australia in 2011 the Labor Government agreed to sell uranium to India, a non-member of the NPT and since 1998 a declared nuclear weapon state. At that juncture the Obama Administration moved to replace the 1979 Civilian Nuclear Cooperation Agreement with Australia, which required a Nuclear Proliferation Assessment. Congress had herein to determine that any such agreement would promote United States national security (Niktin, 2010). In essence the supply of uranium to India would need to be seen as consistent with Australia’s obligations under the NPT as well its treaty with the United States. That in itself requires thinking about the need to change the NPT. But it also raises the question of American nuclear relations with the Asia-Pacific since the late 1970s when the Forde, Carter and Reagan Administrations developed the current nuclear order in the Asia-Pacific (Reynolds, 2010).

The problem, with this strategic background in mind, has been that the RAN has developed as an unbalanced force since. It has tried to develop a long range submarine capability based on diesel – electric propulsion with often lamentable results. The 2009 Defence White Paper has committed Canberra to the purchase of both air warfare destroyers equipped with SM.3 missiles that can cover surface forces as well as twelve submarines. The former were important in supporting the deployment of troops around the littoral of the Asia-Pacific-Indian Ocean region and protecting American carriers.
The latter, however, were based on the need to deliver the RAN a potent strategic strike capability, which would be of great future importance given the prospect that the United States might face decline in the Western Pacific. That is not imminent.

It has been claimed herein that there will be a capability gap with submarines, but this ignores the fact that for much of the Twentieth Century, and in both world wars, Australia had no submarines. The alliance dictated the need for surface forces. It still does. Some have, herein, pointed to the importance of US submarines (Davies 2014), but there are consequences in relying on the submarines in Guam if they are to replace an Australian fleet. Australia is on the cusp of ending a capability to deny future adversaries unfettered access to the Southern Oceans and the industrial and logistical support that would support such a capability. That development is not a question of Australian capability, but one of American strategy. Both need to take account of a more robust Australian strategy. It is in the interest of neither partner to develop yet again a second tier capability in such critical and expensive area as submarines.

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