

Visionary proposal or pipe dream? AUKUS poses challenges for Australia

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On March 14 in San Diego, Australian Prime Minister Anthony Albanese, together with US President Joe Biden and UK Prime Minister Rishi Sunak, [shared](#) with the public a [blueprint](#) for the Australian [acquisition](#) of nuclear submarines under the AUKUS trilateral security pact, first [announced](#) in 2021.

The program, with a price tag of up to AU\$368 billion (US\$245 billion) over about 30 years, features plans to increase nuclear submarine port visits from the United States and the United Kingdom beginning this year, rotate submarines via an initiative called the 'Submarine Rotational Force-West' (SRF-West) from 2027, acquire between three to five US Virginia-class nuclear-powered general purpose attack submarines (pending approval from US Congress) beginning in the early 2030s, and build additional nuclear submarines in Australia and the UK.

Behind the blueprint is a new '[paradigm](#)' in thinking about Australia's defence that appears to share properties with the 'forward defence in depth' concept first [proposed](#) by defence analyst Malcolm Davis in 2018. As Australia's Defence Minister Richard Marles [said](#) last month, this includes the idea that 'capability advancements' mean the 'advantages' of Australia's geographic remoteness, which had formerly been 'a huge asset in the defence of our nation... have been diminished' and are 'far less relevant.' This means, he notes, that Australia requires a defence strategy predicated on building the capacity 'to hold any potential adversaries at risk much further from our shores.'

In effecting this new strategy, several challenges lie ahead.

The China factor

First, this capacity to project power into more distant reaches in the Pacific [raises the question](#) as to how those who inhabit the areas in which these capabilities will be deployed might respond. Pivotal among these is China, which has since 2021 [vocalized](#) its [opposition](#) to the plan. In [response](#) to the latest announcement, a Chinese Foreign Ministry spokesperson said the AUKUS partners had 'gone further down the wrong and dangerous path.'

For Beijing the AUKUS decision might be seen to confirm a long-held view that Canberra harbors a '[pipe dream](#)' to graduate from an Oceanic power to an bona fide Asian power or, on a more contestable metric, a middle power to a second-tier power.

This view is seen as interlinked with an Australian conundrum: Canberra seeks to enhance its status and agency among greater powers in Asia, yet to achieve this 'ties itself to America's war chariot,' as [one](#) Chinese commentator put it. This has led to a common view among Chinese sources that the AUKUS submarine

decision is essentially the product of an [American ploy](#). There is also a repeated assumption in Chinese sources that the newly acquired platforms will effectively remain under [US command](#).

There is, however, a counterargument that Australia already relies on the US Navy to protect its maritime trade routes and thus acquiring new domestic capabilities will reduce its reliance on the United States. Marles made the case, delivered in a [statement to parliament](#) on February 9, that active participation in this endeavour through AUKUS will enhance as opposed to degrade Australia's sovereignty.

Southeast Asian concerns

Second, it is not yet fully known how the program will be received by Asian, and in particular Southeast Asian, states. ASEAN member states have thus far responded with a mixture of warmth and reservation on the back of concerns of the impact of the deal on [ASEAN centrality](#) and nuclear non-proliferation.

Canberra has thus far navigated these reactions adeptly, prioritizing assuring Southeast Asian nations of its commitment to nuclear non-proliferation, transparency, and ongoing dialogue. Most recently, Australian Foreign Minister Penny Wong, in response to [concerns](#) articulated by Indonesian Foreign Minister Retno Marsudi, [stressed](#) that 'we do want to be transparent with the region and we will be' and emphasized that 'nuclear propulsion does not equal nuclear-armed. Australia has no intention of ever seeking to be nuclear-armed.'

Marles, in the lead-up to a February visit to Thailand to meet with Thai Prime Minister Prayut Chan-o-cha, [said](#) that one aim of the trip was to reassure Thailand about Australia's proposed nuclear submarine program. Indeed, Australia '[made around 60 calls](#) to allies and regional neighbours to inform them of the plan before it was announced' on March 13. Marles [indicated](#) China had also been offered a briefing, which was not taken up.

But Australia faces additional tests. While the late 20th century saw the rise of economic superpowers whose military strength was not commensurate to their influence, Australia will struggle to stabilize acquiescence to its status as an Asian power if its extension of military power further abroad is not balanced with commensurate outreach in its economic influence and diplomatic engagement. These are likely to tax Australia's capacity constraints in both spheres.

The cost challenge

Third, the financial burden that Australia will have to carry to sustain cooperation in its preferred form over the long term will be taxing, as both the United States and the United Kingdom lack the surplus economic capacity, and current political capital, to make concessions on the submarine deal that could reduce Australia's disproportionate share of the costs. Effecting the likely [tough budget cuts](#) needed in Australia to fund the program may well be a difficult sell to the Australian public.

Dire fiscal situations in the UK and the US, and the relatively small size of Australia's economy relative to the scale of its expenditures on AUKUS, means that burden sharing could remain a source of tension between allies, and a trigger for periodic re-calculations of the initiative's cost-benefit ratio.

Capacity constraints

Fourth, and arguably the biggest challenge to AUKUS, is Australia's own capacity constraints.

The phased nature of Australia's AUKUS plan – one that gradually migrates from reliance on foreign expertise and manufacturing might to an indigenous industrial capacity – reflects the reality that Australia's heightened ambitions have not evolved from demographic or critical sector/technology ascendancy, but are being pursued in spite of pronounced weaknesses in these areas. The reality that Australia's success in transitioning to a regional power would be somewhat of a historical exception undermines the scale of the challenge confronting Canberra.

These issues are being discussed, and will be addressed in a more comprehensive fashion in the upcoming [Defence Industry Development Strategy](#). Yet they continue to be understated.

Albanese [announced](#) that the submarine program would create 20,000 jobs and the government has already embarked on a recruitment drive. But, as Tasmanian Senator Jacqui Lambie [pointed out](#), building this workforce could well prove difficult. Australia suffers a severe [shortage](#) of nuclear engineers, and while this has been [identified](#) and is being confronted, long training timeframes, and the requirements for building the broader professional infrastructure for the revitalization of this industry, will present difficulties.

Then there are the more complicated economy-wide ramifications of mobilizing a far greater share of human resources in the defence industry in a time of multisector skill shortages and strong demand from competing industries. Moreover, Australia faces the disadvantage of not merely needing to reapportion human and technical resources in advanced manufacturing, but of having to rebuild these capacities, with manufacturing's share of GDP having plummeting to a mere 6 percent of total GDP, compared to around 12 percent in the US, 9 percent in the UK, 20 percent in Australia's Quad partner Japan, and over 27 percent in China. Australia's technology sector is stymied by a poor level of economic complexity relative to many other advanced nations, and a conservative investment culture that would require politically difficult decisions on incentivisation to reorient in order to stimulate sector growth.

These challenges are amplified by the fact that the nuclear submarine acquisition only begins to address the strategy-capability gap brought about by Australia's new defence paradigm. Other projects include satellites to expand communications across a vastly wider area of operations; a surface fleet adequate to patrol 'the entirety of the Indo-Pacific' over which, in the defence minister's [words](#), 'our interest stretch;' and the current complete absence of an aerial long range strike capability since the belated retirement of the Royal Australian Air Force's F-111Cs in 2010. This is to say nothing of hypersonic missiles, [calls](#) for a light aircraft carrier, the expanding role of drones, and a cyber capability [deficit](#).

In short, matching Australia's capacities with its defence and regional power aspirations would require a whole of government approach and a level of centralized planning that would be unprecedented in the post-World War II era.

In this sense, the impacts of AUKUS, both in terms of nuclear submarines and subsequent ventures in support of Australia's new defence paradigm, are likely to be profoundly consequential across a wider purview of government, policy, economic structure, and national identity. The advantages would then need to be pressed home by a wholesale revision of Australia's approach to soft power, aid, diplomacy, and economic partnerships in the greater Asia-Pacific region, which will be needed for an extended military capacity to translate into a regional power identity.

The announcement in San Diego marks but the beginning of a longer, very difficult series of national and diplomatic conversations.

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