

The Big Read **Aukus**

Australia's defence dilemma: projecting force or provoking China?



The country is boosting military spending, strengthening alliances and demanding a seat at the 'big table' of global affairs

Nic Fildes in Osborne and Demetri Sevastopulo in Washington 5 HOURS AGO

The shipyard in Osborne, a suburb 20km north of Adelaide in the St Vincent's Gulf of South Australia, feels far removed from the simmering geopolitical conflict between the US and China.

The freshly built, modern facility has the air of a Hollywood set with enormous sheds connected via narrow roads. Golf cart-like vehicles ferry equipment and people between locations. A small strip of marshland, intended as a bit of greenery for the workers, is the only reminder of what used to be.

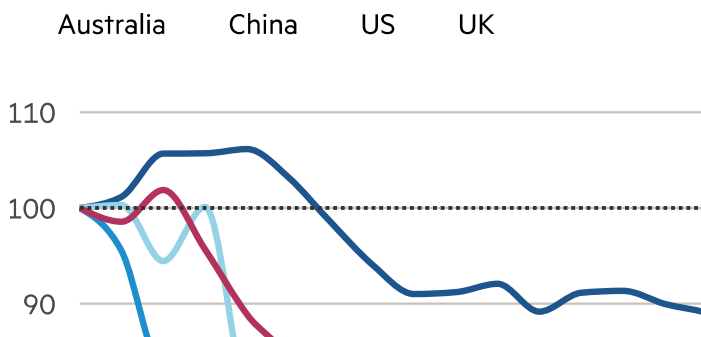
Now the Osborne precinct is the symbolic heart of Australia's burgeoning military industry at a time when the country seeks to claim a seat at the "big table" of global affairs.

This was made clear in a speech this week by Richard Marles, Australia's defence minister, who said that competition between China and the US in the Indo-Pacific is driving the biggest military build-up anywhere in the world over the past 70 years.

Australia, he went on to say, has found itself in a more "relevant" role than ever before.

Australia spends more on its military, relatively

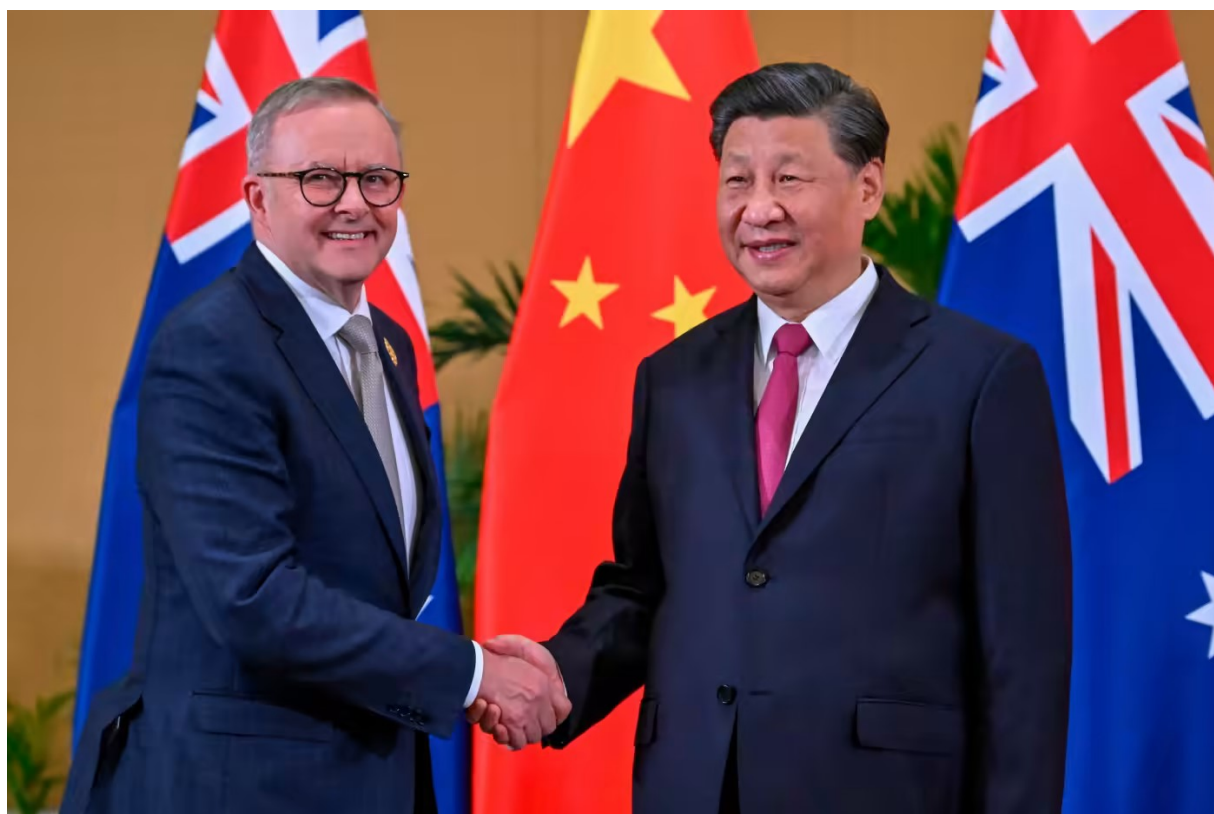
Military expenditure as % of GDP, rebased (1989=100)



But the country has a difficult line to tread. As it strengthens military ties with European and American allies, Canberra is also seeking to cool tensions with Beijing while refusing to buckle in its trade and security disputes with China.

And when prime minister Anthony Albanese met with China's leader Xi Jinping this week on the sidelines of the G20 in Bali — the first bilateral meeting between the two countries since 2016 — it was a hint of a potential thawing of relations.

Nonetheless, Russia's invasion of Ukraine and tensions over China's ambitions towards Taiwan, which it considers part of its territory, has led to the Labor government persevering with the previous administration's hard-nosed approach to national security.



Australian prime minister Anthony Albanese, left, meets Chinese president Xi Jinping at the G20 summit in Bali this week © Mick Tsikas/AP

At the centre of that strategy is the “Aukus” agreement Australia signed with the US and the UK in 2021. Its purpose is to deliver nuclear-powered submarines and advanced missile development.

It means that some 60 years after Australia first explored whether it would be able to source nuclear-powered submarines — a US technology only shared with the UK — Canberra’s role in the Indo-Pacific has been given a significant upgrade.

Half of the world’s submarines are expected to be operating in the Indo-Pacific by next decade, according to the Royal Australian Navy.

The Australian government’s switch from less powerful diesel French submarines to more sophisticated US or UK-designed vessels was hailed as a sign that a wide-ranging, long-awaited upgrade of its defence capabilities was coming to fruition.

The move, however, triggered a diplomatic crisis with the French and antagonised the Chinese, who called Aukus an “extremely irresponsible” pact that would undermine regional security.

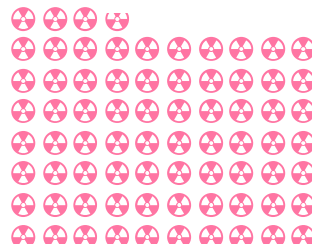


Australia is a non-entity in nuclear terms

Nuclear forces, by delivery system. One symbol represents 20 warheads

- Aircraft
- Land-based missiles
- Sea-based missiles
- Non-strategic
- Stored

5672



FINANCIAL TIMES

Source: Sipri

When Australia in May elected a centre-left Labor government for the first time in almost a decade, it led to uncertainty over whether the country would change tack, particularly when the costs and challenges of building nuclear-powered submarines at Osborne were laid bare.

Marles, who believes Australia needs to be more responsible over how critical projects are managed, immediately kicked off a wide-ranging exploration of the nation's security challenges, the Defence Strategic Review, that he says will "underpin defence policy for decades to come".

Marles has pointed to 18 contracts, which combined are running A\$6.5bn (\$4.4bn) over budget, and 28 projects that are cumulatively 97 years late.

Charles Edel, an Australia expert at the CSIS think-tank, says: "There have been so many defence initiatives introduced over the past year that it can be hard to distinguish which have real resources behind them, and which look more like monopoly money. The Defence Strategic Review, if it's done right, should provide an initial answer to that question."

But the review is not a cost-cutting exercise; Marles has pledged to increase the defence budget while setting out a more pointed endgame.

The review is designed to ensure Australia becomes a more active player in the alliances it has formed, including Aukus and with other regional players such as Japan and India.

"We must adapt to the world as it is, not as we would wish it to be," Marles told the Sydney Institute, a privately funded non-profit forum, this week. "A world where post-cold war optimism has been replaced by the reality of renewed major-power competition. A competition in which Australia is more relevant now than at any time in our history."

'Preserve peace, prepare for war'

The Aukus deal was originally signed against the backdrop of rising tension not only between the US and China but also between China and Australia.

A trade dispute arose after punitive tariffs were applied to a number of Australian goods including wine, coal and lobsters. Then a series of military incidents between the two countries in the South China Sea and off the Australian coastline further tested the once strong relationship.

Peter Dutton, who was defence minister when the Aukus deal was signed, said in April: "The only way you can preserve peace is to prepare for war and be strong as a country, not to cower, not to be on bended knee and be weak."

His comment sums up the ideology underpinning the unprecedented militarisation of the country.

Billions of dollars worth of projects have been proposed to help Australia secure its dream inventory that includes helicopters, unmanned aircraft, combat drones and hypersonic missiles.



Battle for supremacy in the skies

Fixed-wing combat-capable aircraft, one aircraft icon represents 20 aircraft

- Bombers
- Fighters
- Fighter/ground attack
- Attack
- Electronic warfare
- ISR*
- Anti-submarine
- Training aircraft with combat capability

A cyber security centre in Canberra called Redspice, costing A\$10bn, has been announced and the government has committed to hiring 18,500 extra defence staff by 2040.

Military spending overall rose to 2.1 per cent of gross domestic product this year compared with 1.6 per cent eight years earlier.

Marles, who inherited many of these projects, is exploring ways to “expedite” the delivery of the nuclear-powered submarines. Australia faces a capability gap under the existing plan in which its current fleet of Collins class submarines will need to be retired before their replacements can be built.

The challenge for Canberra is how to prioritise defence spending, particularly given the expected heavy price tag for the submarines — as much as A\$171bn says the ASPI think-tank — as it more closely aligns its programmes not only with the US but also other allies in the Indo-Pacific including Japan and India.

We must adapt to the world as it is, not as we would wish it to be

One person familiar with the situation in Canberra says the government has been astonished by some of the Aukus cost estimates after being briefed on the negotiations that occurred under the previous administration.

“They are starting to see the internal stuff on Aukus and Taiwan for the first time. There is some sticker shock and surprise about how much Australia is doing with the US and Japan,” said the person. “It’s just ‘wow’. They are getting used to that.”

The person says US Navv nuclear experts who have been sceptical about supplying

... nuclear-propulsion technology to Australia are now more confident that Canberra is serious about taking the steps needed to develop and operate a nuclear submarine fleet.

But he warns the US Navy is following closely. “This is what the US nuclear navy and industry is going to watch [as their thinking is] ‘we can’t help you unless you put the money in’.”

The decision over how Australia will build and maintain nuclear-powered submarines — “possibly the hardest thing in the world”, according to Anne-Marie Trevelyan, the former British international trade secretary, who visited Osborne in September — will define Australian defence policy for decades.

Sam Roggeveen, director of the Lowy Institute’s international security programme, says the government can still opt for an “elegant dismount” of some elements of Aukus and push for an “off-the-shelf” option, that is buying submarines directly from US or UK shipyards.

“We shouldn’t be too optimistic this will ever come to fruition,” Roggeveen says of the prospects of nuclear-powered submarines being built in Australia given the lack of skills and experience in the country, compounded by an aggressive timetable and budget constraints.

The uncertainty has caused anxiety in Osborne. Peter Malinauskas, the South Australian premier, has warned that any move by the government to abandon plans to build the submarines in Australia would be called out as a “broken promise”.

Dreams of a homegrown defence industry

About A\$700mn has been earmarked to upgrade Osborne — which comprises adjacent ship and submarine facilities — as it prepares to build nuclear-powered submarines. The work would triple the size of the precinct.

Naval Group, the French contractor that was going to build submarines on the site before its contract was torn up, has been paid almost \$600mn to make way for the promise of Aukus.

Balance of power on the high seas

Naval forces. principal surface combatants and

naval vessels, principal surface combatants and submarines

- Missile submarines
- Other submarines
- Aircraft carriers
- Cruisers
- Destroyers
- Frigates

FINANCIAL TIMES

Source: IISS

The shipyard is already gearing up for the construction of a fleet of submarine-hunting frigates that will be built by BAE Systems. Ensuring sites like Osborne have a constant pipeline of shipbuilding projects is what the government and industry argue will revive Australia's homegrown defence sector.

Tony Dalton, deputy secretary of the Royal Australian Navy's National Naval Shipbuilding programme, says investment in Osborne goes beyond the previous "feast and famine" approaches to domestic shipbuilding.

"One of the reasons why we want to build ships here is because it plays into helping build a sovereign sustainment ecosystem for us. And that's the real goal we want to achieve," he says.

Craig Lockhart, managing director of BAE Systems Australia's maritime division, says

Craig Lockhart, managing director of BAE Systems Australia's maritime division, says the Hunter-class frigate programme and the push into Aukus establishes Australia as an asset in any future conflict. "It will put us at the big table in so many aspects – the economy, skills, defence," he says. "We deserve to be there."



The Hunter-class frigate is a future class of heavy frigates for the Royal Australian Navy © BAE

Yet the A\$44bn programme, signed in 2018, has been beset by cost overruns and production delays. A leaked engineering report last year suggested the project was in trouble. Marles' defence review has already found the project is facing a A\$15bn increase in costs.

A further blow was delivered by David Shackleton, a retired vice-admiral in the Royal Australian Navy and a former chief of navy, writing for ASPI, said that Australia had chosen a ship "unsuited for its needs". The criticism from a respected figure sent shockwaves through Australia's naval establishment.

Six months on, BAE's leaders, flanked by top naval personnel, presented a united front in Osborne. Lockhart said that the delays to the project had been largely clawed back and prototyping of the giant steel blocks that will form the bowels of the giant frigates were well under way.

The Hunters are expected to play a significant role as a "mother ship" for a modern Australian attack force operating in the Indo-Pacific in concert with its allies.

They will incorporate the latest variant of Lockheed Martin's Aegis combat management system while also including Saab's "Australian interface" — a locally made system — as part of the "Australianisation" of a frigate based on a reference design developed by BAE Systems in its Scottish shipyards.

Andrew Quinn, a commodore and director-general of the Royal Australian Navy's surface combatants and aviation unit, says that Australia's combat capability is set to quickly "spiral" as more software and remote programming is built into systems on board its new generation of ships and submarines.

He highlights the planned "mission bay" on the Hunter Class frigates, which are designed to be large enough to be able to house unmanned vehicles, auxiliary helicopters or containers full of staff controlling drones in a combat scenario.

"That can then be highly attuned . . . [to] the change of the threat and geopolitical context of the future," says Quinn.

'Is this who we really are?'

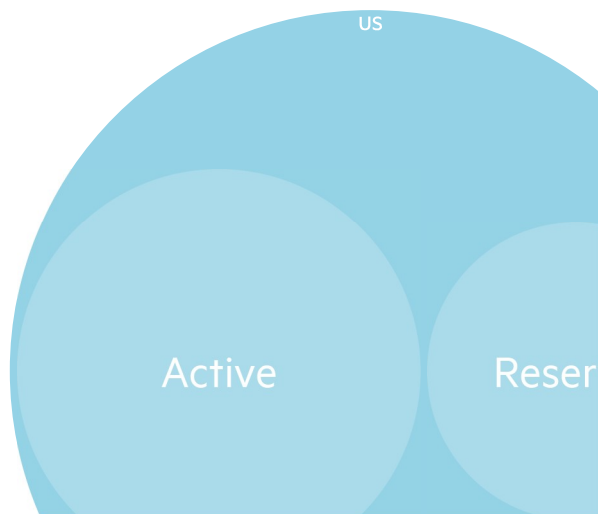
Angus Houston, a former head of the Australian defence forces who is one of the people conducting the defence review, has previously warned that Australia's strategic environment had deteriorated over the past year to its worst state in his lifetime.

That is the backdrop for the overall defence review. "The strategic review is a really big deal," says Edel, of the CSIS think-tank, adding that the government needs to demonstrate progress on the non-submarine aspects of Aukus. This means "advanced capabilities" that include areas such as underwater and quantum technologies, as well as hypersonic and counter-hypersonic capabilities.



Fighting power: the millions serving in combat forces

Active and reserve military personnel, by country
(click on a circle to see a further breakdown of personnel by branch of service)



The underlying concern is whether the construction of nine frigates and eight nuclear-powered submarines will be enough to match the pace of China's flourishing shipbuilding sector.

One former Australian naval chief says the country's key challenge is that it will never be on a level playing field no matter how much it spends or how many ships and submarines it buys or builds. This is precisely why the Aukus agreement, which locks Australia with its allies as one unified force, is so important.

"We are not competing numerically," he says of the navy's need to opt for the best strategic options — such as Hunter Class frigates and nuclear-powered submarines — to deter its adversaries.

... ..

This sentiment was echoed by Marles this week when he acknowledged that its defence ambitions cannot rival those of major powers: “Australian statecraft is only viable if it is underpinned by the ability to project force and power: to deter military threats, and defend Australia’s national interests within our immediate region.”



BAE Systems workers at Osborne: the company will build a fleet of submarine-hunting frigates that both the Australian government and industry argue will revive the country’s homegrown defence sector © James Elsby/BAE

In the months since Aukus was signed, Australia’s alliance with the US has indeed grown stronger. This month, the US State Department gave its approval for the potential sale of 24 Super Hercules military cargo aircraft to Australia, a deal worth almost \$6.4bn.

One sticking point in the alliance remains the bureaucratic red tape that means the US is less likely to share certain information with allies. This is particularly frustrating given that Australia is a member of the tight information-sharing mechanism known as the Five Eyes intelligence network, alongside the US, UK, New Zealand and Canada.

“Australia really hammers away at those kinds of issues because . . . it is really about a very deeply grained psychology of independence in the US,” explains Mark Watson, director of the Washington office of ASPI. “No one ever got sacked for over-classifying a document. Overcoming that entrenched bureaucracy and mindset is hard.”

There is, of course, a deeper question hanging over Australia’s escalating military build-up and the consequences of its increasing role in international affairs.

“Australia has never before gone so dramatically on the offensive in its weapons acquisition, buying a weapon expressly designed to hem China’s navy in along its coastline and strike targets deep inside Chinese territory,” says Lowy’s Roggeveen.

“This is a question not just of military strategy but of how Australia defines itself as an international actor, and as a nation. Australians should be asking themselves: is this really who we are?”

Marles has argued it is a “false dichotomy” to paint a picture where Australia must choose between the US and China because the country is no longer “blessed with a benign strategic environment”.

“Improving our national security isn’t provocation,” he says. “It’s prudence.”

Data visualisation by [Ian Bott](#)

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