

## **Australia's submarine decision: a matter of grand strategy** by Sam Bateman

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Australia's future submarine program is the largest and most complex defense procurement in the nation's history. The decision as to which submarine to choose has become one of grand strategy with far-reaching economic, political, and strategic consequences. While technical issues to establish the "best" submarine remain important, strategic, political and economic factors are also key determinants of the decision. It could have significant impact on Australia's regional relations and the ability of Australia to act independently within the region.

The three contenders in the current evaluation process are: France's state-controlled naval contractor DCNS offering a conventional-powered version of the nuclear-powered Barracuda-class submarine; ThyssenKrupp Marine Systems (TKMS) of Germany with a *Type 216* Class submarine, an up-sized version of the popular *Type 214* submarine; and the government of Japan with a proposal based on the existing *Soryu* class. None of these options is ideal for Australia's requirements.

### **Bitter contest between Japan, Germany, and France**

The Australian government has frequently used A\$50 billion as the projected cost of the future submarine project, but this includes sustainment cost through the 30-year life of the fleet. These usually equate to about two-thirds of the cost of construction. Recent reports suggest that competition among the bidders has led to the acquisition cost being at least A\$5 billion less than expected. The winning bidder should be announced by mid-2016.

The contest between Japan, Germany, and France has become increasingly bitter with sniping between the rivals. Canberra is under huge lobbying pressure from the parties concerned. Japan has been accused of putting out false media reports that the Germans had been ruled out due to concerns about their ability to build larger submarines. These reports were subsequently denied by the Australian government and the Australian representatives of TKMS.

The Japanese ambassador to Australia recently entered the argument by publicly claiming that the technical risks of the European options were higher than those of the Japanese one. The Japanese claim it is difficult to convert a nuclear submarine to conventional power as the French are planning to

do, or double the size of a smaller submarine as the Germans are proposing. On the other hand, the Europeans are quick to point out that the Japanese have no experience in building submarines overseas in conjunction with foreign builders.

### **Economic factors**

An Australian government could not afford to choose any proposal that did not offer significant economic benefits for Australia. Each bidder has been asked to provide three estimates: one for construction overseas, one for partial assembly in Australia, and one for full build in an Australian shipyard. After some hesitancy by the Japanese interests, all three bidders now say they will undertake most construction work in Australia. So far the European firms have been more successful than the Japanese in promoting the economic benefits of their proposals.

However, Japan has boosted its credibility in this regard through negotiations with the British companies, Babcock and BAE Systems, which are well established in Australia. Babcock does maintenance work on Australia's *Collins*-class submarines, including torpedo tubes and other parts of the weapons system, while BAE Systems, which builds the UK's nuclear submarines, employs 4,500 people in Australia, including on current naval shipbuilding projects.

### **Political factors**

Political factors are central to the submarine decision – both domestically and internationally. Domestically, the decision is the subject of much political interest due to the perceived economic and employment benefits of the project, particularly for South Australia, the state most likely to build the submarines. The South Australian economy is stagnating and support for the coalition government in Canberra has dropped with several coalition members of Parliament under threat of losing their seats.

Internationally, selection of the Japanese option would not be well received in China. It would be seen in Beijing as Australian participation in the US-Japan effort to contain China. There is no doubting China's importance to Australia. China is by far Australia's biggest trading partner accounting for about 26 percent of total foreign trade in 2014-5 as compared with Japan's 12 percent. Australia's trade with China has also continued to grow strongly over recent years while trade with Japan has stagnated with relatively little growth.

### **Strategic factors**

Grand strategy really comes into play with the strategic implications of the submarine decision. Effectively the decision is a choice between Australia locking itself into an alliance with Japan for the next four decades or having some strategic independence within the region.

International submarine experts point out that a country operating a small fleet of submarines (12 boats or less) becomes locked into technical and logistic support from the country of origin of the submarines. A decision in favor of Japan would also be a solid affirmation of defense cooperation between Australia, Japan, and the US. This cooperation is actively promoted by both Tokyo and Washington as part of balancing a rising China.

The US is also a powerful player in the decision because the US systems preferred for the new submarines may be releasable to Japan but may not be available with the European options. European builders build for the global submarine market and the Americans could assess that selection of a European option could involve unacceptable risk of leakage of highly classified data. This could ultimately prove the deciding factor.

Although the European options would provide longer-term strategic flexibility, it seems likely that the final decision will go the way of the Japanese. This will mean Australia's submarines, as the most powerful component of its naval forces, will be difficult to sustain if Australia is not acting in concert with Japan. It is a matter of grand strategy to determine whether that is acceptable.

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