

### Country Report: Australia; A New Frontline State?

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# DGAP REPORT

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## Country Report: Australia

### A New Frontline State?

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## ABOUT THE PROJECT

The DGAP’s project on “Risk Reduction and Arms Control in the Asia-Pacific Region” aims to provide a comprehensive analysis of the security dynamics in the Indo-Pacific and East Asia, with a focus on important players including Australia, China, Japan, North Korea, Russia, South Korea, Taiwan, and the United States. The objective is to foster understanding in Germany and Europe of the risk of conflict in the Asia-Pacific and suggest possible steps to mitigate this risk and safeguard stability in and beyond the region. The project starts with taking stock of security developments in the Asia-Pacific. As part of a series, the following report provides a detailed review of Australia’s security and defense policies and partnerships in the current geopolitical context. It concludes with a list of policy recommendations to stakeholders and policymakers.

All information and country reports can be accessed at <https://on.dgap.org/3f35EBO>

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## DISCLAIMER

This report does not contain new empirical findings, but assesses primary documents and compiles existing studies, primarily from expert sources. It is tailored for a European audience.

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## EXECUTIVE SUMMARY

In a context of rising tensions in the Indo-Pacific, Australia's defense policy has become increasingly assertive. Given the political and technological transformation underway, policymakers consider geography no longer to be a sufficient buffer for their country's security. They now consider Australia a 'frontline' state, should there be a conflict in the Indo-Pacific. For Germany and for Europe – key US allies and partners in the region – it is important to gain a better understanding of the strategic dynamics driving Australia's defense decision-making processes as well as the implementation of those decisions.

Until 2016, Australian defense policy had followed a back-and-forth evolution, similar to the European experience, between territorial defense and expeditionary operations. As in Europe, Australia's defense policy was shaped by the fact that the country was under the protection of the United States. In exchange, as alliance politics dictate, it acted as a reliable junior partner in US-led coalitions and military endeavors. Over the last six years, however, Australia gradually moved from a world where the main threats appeared to be non-state actors to a security environment in which state-to-state conflicts and major wars seem more likely. Like Europe, Australia therefore renewed its focus on territorial defense – only that it is looking at China instead of Russia.

The shift in strategic thinking and related acceleration of military modernization culminated in the AUKUS announcement of September 2021: Australia declared that it was entering into a new security agreement with the United States and the United Kingdom to obtain nuclear-powered submarines and to cooperate on defense technology in other domains as well, such as hypersonics and military applications of quantum technology. The new Labor government elected in May 2022 supports the AUKUS announcement. Although during the election campaign, Labor was accused by its opponents of being 'soft' on China, the overall trajectory for the Australian Defence Force is not expected to change. This has been confirmed during the new governments' first weeks in power of the new government.

This report leads to three main conclusions: First, Australia's defense build-up should not in itself be viewed as a factor of destabilization in the region. Seen from Canberra, the defense policy shift is a response to China's military modernization. Australia's ongoing major procurement programs, including AUKUS, are aimed at building a sufficiently credible deterrence to prevent other parties in the region from

undertaking military action. This approach, however, does require good diplomatic communication with Australia's neighbors as there is a risk that Australia's defense policy shift could contribute to a security dilemma in the region and feed into the threat perceptions of other regional powers.

Second, the 2020 Defence Strategic Update re-centers Australia's strategic interests on its neighborhood. It encompasses maritime Southeast Asia and expresses concerns about the militarization of the South China Sea, but does not mention Taiwan. At the same time, the AUKUS announcement further strengthens Australia's alliance with the United States, which enhances Australia's security but is also likely to come with even deeper alliance obligations. These would probably include contributing to a potential Taiwan contingency, should mainland China invade and the United States intervene. However, this remains speculative given that any scenario will depend on the conditions of an invasion and on reactions from other US allies, above all Japan.

Third, the latest developments in Australia's defense policy should remind Europeans that the United States is indisputably Australia's most important ally, followed by Japan. Nonetheless, Australia remains a key like-minded partner for Germany and Europe in the Indo-Pacific. Australia shares the same values and interests in maintaining the international rules-based order.

The report concludes on recommendations, including intensifying the Europe-Australian dialogue on conventional deterrence against coercive great powers. Both Europe and Australia are facing an important challenge in their respective regions, with Europe currently learning a painful lesson vis-à-vis Russia. The discussion on conventional deterrence should cover three main aspects which correspond to three stages of conflict outbreak scenarios: (i) Think about how to operationalize deterrence and conflict prevention in the Indo-Pacific; (ii) Reflect on the triggers for conflict in the context of China's threshold warfare activities; (iii) Anticipate on how to react in cooperation in case of conflict outbreak. The discussions and any follow-on implementation would likely involve diplomats and militaries, or both, and could take place to some extent within the framework of the existing NATO-Australia partnership.

# 1 – AUSTRALIA'S GEOSTRATEGIC LOCATION AND RELEVANT DISTANCES



CHINA

NORTH KOREA

JAPAN

SOUTH KOREA

Beijing

Tokyo

7,000 km

Shanghai

New Delhi

INDIA

PACIFIC OCEAN

Hong Kong

MYANMAR

SOUTH CHINA SEA

Guam

THAILAND

VIETNAM

PHILIPPINES

4,000 km

MALAYSIA

Singapore

INDONESIA

PAPUA NEW GUINEA

Darwin

INDIAN OCEAN

North West Cape

AUSTRALIA

Brisbane

GREAT AUSTRALIAN BIGHT

Adelaide

Sydney

Canberra

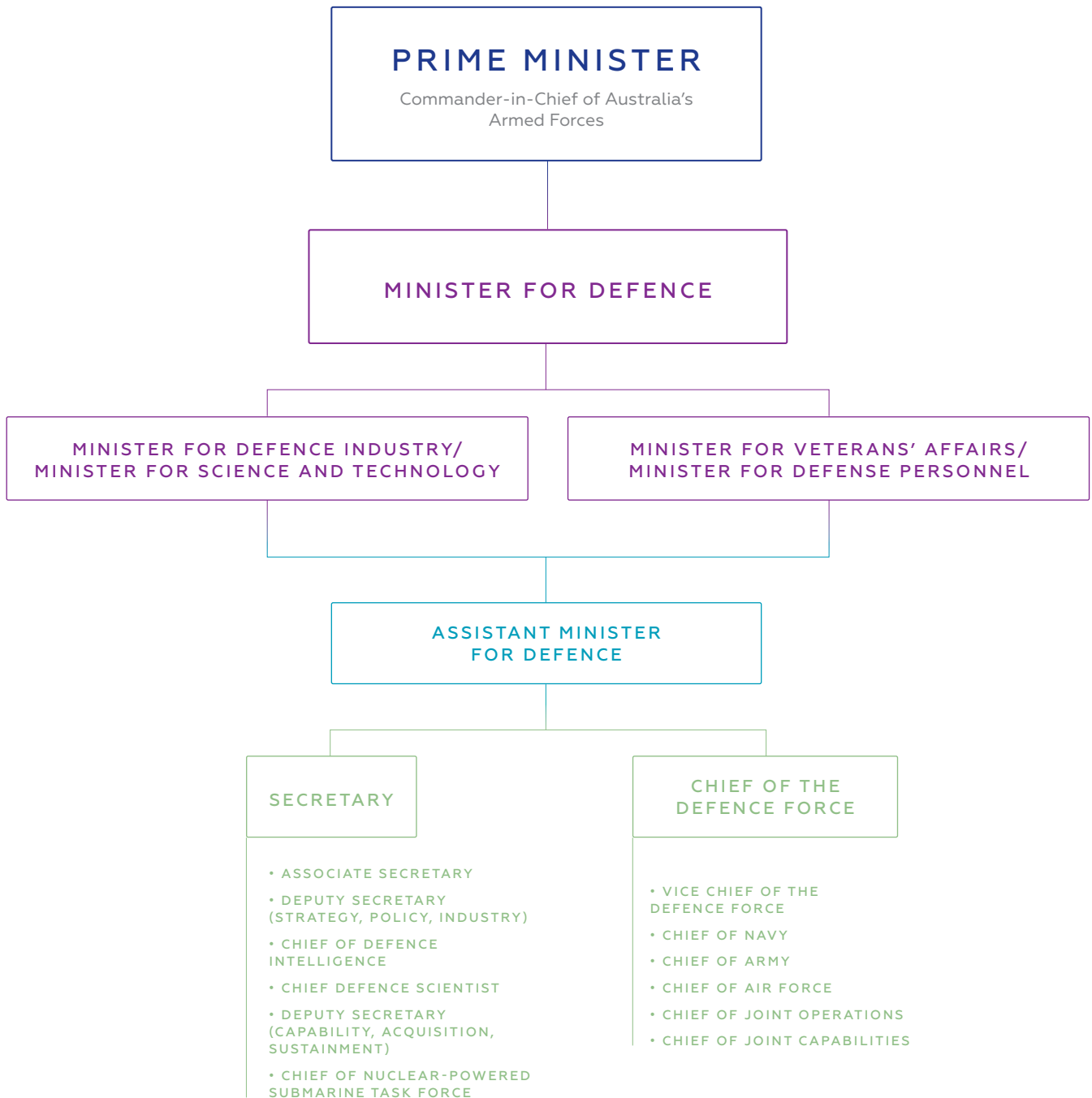
Melbourne

TASMAN SEA

Wellington

NEW ZEALAND

## 2 – RELEVANT STAKEHOLDERS IN AUSTRALIA’S DEFENSE ESTABLISHMENT



Source: Australian Department of Defence, Defence Budget Portfolio 2022-23, March 2022, [https://www.defence.gov.au/sites/default/files/2022-03/2022-23\\_Defence\\_PBS\\_00\\_Complete\\_0.pdf](https://www.defence.gov.au/sites/default/files/2022-03/2022-23_Defence_PBS_00_Complete_0.pdf), p.10. (Accessed July 25, 2022) | Legend: This chart is correct as of March 2022

# Introduction

Thanks to its location, Australia has long been insulated from global tensions and conflict. Even within the Indo-Pacific region, Australia appears placed at a safe distance from regional hot spots. Darwin, Australia's northernmost major city, is situated 5,700 km from Pyongyang, 4,300 km from Taipei, and 2,000 km from Cuarteron Reef, China's southernmost military post in the South China Sea. In recent years, given the political and technological transformations underway, Australia's policymakers no longer consider geography to be a sufficient buffer for Australian security. In their eyes, Australia has become a 'frontline' state in a potential conflict outbreak in the Indo-Pacific. As if to illustrate this point, in May 2022, the Australian Defence Force (ADF) spotted a People's Liberation Army Navy (PLAN) intelligence gathering ship operating off the Western coast of Australia.<sup>1</sup>

Several elements have contributed to eroding the traditional concepts of Australia's defense thinking: Military technology has jumped, providing missile systems with longer range targeting capabilities; China has been modernizing its military which allows the People's Liberation Army Navy much greater power projection; and China has engaged in important land reclamation activities in the South China Sea. As a result, key concepts like the 'ten-year strategic warning period', and the 'sea-air gap' no longer appear valid.

For decades, Australian defense decision-makers had relied on the notion that the country would have a 'strategic warning' should the regional situation deteriorate. This was based on the observation that states in the region which might harbor malignant intent would need a decade at least to develop

the necessary level of military capabilities to be able to attack Australia.<sup>2</sup> Given the rapid pace of military modernization in the Indo-Pacific, this thinking has been overturned.<sup>3</sup>

The 'air-sea' or 'sea-air' gap north of Australia denotes the maritime and air space separating Australia from Southeast Asia which contains the most important waterways of communication and trade between Australia and Indonesia. This was long the focus of Australian defense thinking as a zone the ADF was geared to protect, as any attack on Australian territory would likely have come from this direction.<sup>4</sup> However, recent advances in military technology, as well as new forms of conflict beyond the traditional battlefield, have significantly narrowed this gap if not closed it altogether.

Underpinning these changes in Australia's traditional defense narratives is the worsening relationship with the People's Republic of China (PRC). This deterioration occurred in several domains such as China's land reclamation activities in the South China Sea and bullying of neighboring states, Chinese interference in Australian politics, and its increased influence in South Pacific states. Foreign policy analyst Ashley Townshend has listed the various steps leading to the current degraded state of diplomatic relations between China and Australia, from Australia's welcoming the international legal arbitration ruling in favor of the Philippines against China's claims in the South China Sea in 2016 to Australia's calls for an independent assessment of the origins of the coronavirus in 2020.<sup>5</sup> In response to the latter, China applied trade sanctions against Australian goods.<sup>6</sup>

Among other considerations, this worsening relationship and heightened threat perception led to the announcement of the AUKUS security agreement between Australia, the United Kingdom, and the United States in September 2021. This new pact revolves principally around Australia's procurement of

- 1 Australian Department of Defence, "Imagery - Chinese Naval Vessel operating off West Australian Coast", Defence News, May 13, 2022, <https://news.defence.gov.au/media/media-releases/imagery-chinese-naval-vessel-operating-west-australian-coast> (accessed May 19, 2022).
- 2 Paul Dibb and Richard Brabin-Smith, "Australia's management of strategic risk in the new era", *ASPI Strategic Insights*, No. 123, November 2017, p.3: <https://sdiinfo.com/wp-content/uploads/2018/03/ASPI-MANAGING-RISK-FINAL-NOVEMBER-2017.pdf> (accessed May 19, 2022).
- 3 Paul Dibb and Dr Richard Brabin-Smith, "The Challenge of Warning Time in the Contemporary Strategic Environment", Strategic and Defence Studies Centre, Australian National University, October 2021, <https://sdsc.bellschool.anu.edu.au/sites/default/files/publications/attachments/2021-09/centre-of-gravity-60-the-challenge-of-warning-time.pdf> (accessed May 19, 2022).
- 4 Michael Evans, "The Tyranny of Dissonance. Australia's Strategic Culture and Way of War 1901-2005", Land Warfare Studies Centre, Study Paper No. 306, February 2005, [https://researchcentre.army.gov.au/sites/default/files/sp306\\_tyranny\\_of\\_dissonance-michael\\_evans.pdf](https://researchcentre.army.gov.au/sites/default/files/sp306_tyranny_of_dissonance-michael_evans.pdf) (accessed May 20, 2022); Stephen Kuper, "Understanding Australia's strategic moat in the 'sea-air gap'", Defence Connect, June 18, 2019, <https://www.defenceconnect.com.au/key-enablers/4249-understanding-australia-s-strategic-moat-in-the-sea-air-gap> (accessed May 20, 2022).
- 5 Ashley Townshend, "Australia's New Regional Security Posture", in *Asia-Pacific Regional Security Assessment, Key Developments and Trends 2021* (International Institute for Strategic Studies, 2021), pp.91-114, pp.94-95.
- 6 Anthony Galloway, "Cheap wine and a retail foe: Australia ready to take China to WTO over tariffs", *The Sydney Morning Herald*, May 28, 2021, <https://www.smh.com.au/politics/federal/cheap-wine-and-a-retail-foe-australia-ready-to-take-china-to-wto-over-tariffs-20210528-p57w4t.html> (accessed May 20, 2022).



nuclear-powered submarines from either the United States or the United Kingdom – the decision will be made public in March 2023. The then Australian Prime Minister Scott Morrison said when he announced the AUKUS agreement that Australia was not seeking to acquire nuclear weapons.<sup>7</sup>

Indeed, Australia has benefitted from US extended nuclear deterrence ever since the Cold War, thanks to the ‘Australia, New Zealand and United States Security Treaty’ (ANZUS) signed in 1951. ANZUS guarantees the United States’ military protection to Australia. In return, Australia has proven a key US ally in the Indo-Pacific and elsewhere, joining Washington in all its wars from Vietnam to Iraq. The US ‘nuclear umbrella’ is implicit from the ANZUS Treaty, according to which the parties to the treaty promise to assist each other in case of aggression.<sup>8</sup> The concept of ‘extended deterrence’ is still mentioned in the 2016 Defence White Paper (2016 DWP),<sup>9</sup> while the 2020 Defence Strategic Update (2020 DSU) states that “only the nuclear and conventional capabilities of the United States can offer effective deterrence against the possibility of nuclear threats against Australia. But it is the Government’s intent that Australia take greater responsibility for our own security.”<sup>10</sup> This does not necessarily imply that ‘extended deterrence’ no longer applies to Australia but rather, as will be explored in this report, that Australia intends to enhance its own military capabilities.<sup>11</sup>

# Australia’s Strategic Update

## GREAT POWER COMPETITION AND THE AUSTRALIAN THREAT PERCEPTION

### Continuity and Change in Australian Defense Policy as Reflected in the White Papers

Similar to developments in Europe, Australian defense policy has moved back and forth between territorial defense and expeditionary operations. In another parallel to Europe, it was shaped by the fact of US protection. In exchange, as alliance politics dictate, the country needed to act as a reliable junior partner in US-led coalitions and military endeavors. Thus, during the Cold War, one of Australia’s main objectives was to demonstrate willingness to fight against Communism, which prompted Canberra to send Australian soldiers to the Vietnam War. Once that war was over, the focus returned to territorial defense.<sup>12</sup>

With the end of the Cold War, the absence of major threats led to a de-prioritization of defense on the political agenda. Budgets declined, and the focus increasingly shifted to operations other than war. In the post-9/11 world, Australia’s involvement with US-led operations in the Middle East can be read both as part of its alliance management with the United States and as a sign of Australia’s continued focus on expeditionary operations. Successive ‘Defence Updates’ in 2003, 2005, and 2007 defined fighting terrorism and

7 Prime Minister of Australia, “Joint Leaders Statement on Aukus”, Media Statement, September 16, 2021, <https://pmtranscripts.pmc.gov.au/release/transcript-44109>, (accessed July 6, 2022). Additionally, Australian legislation prohibits the production of electricity from nuclear power in the country, although it does hold research nuclear reactors.

8 “ANZUS at 70: Extended nuclear deterrence”, *The Strategist*, (Australian Strategic Policy Institute, September 7, 2021), <https://www.aspistrategist.org.au/anzus-at-70-extended-nuclear-deterrence/> (accessed May 20, 2022).

9 Australian Department of Defence, “2016 Defence White Paper”, 2016, <https://www.defence.gov.au/sites/default/files/2021-08/2016-Defence-White-Paper.pdf> p.121 (accessed May 20, 2022).

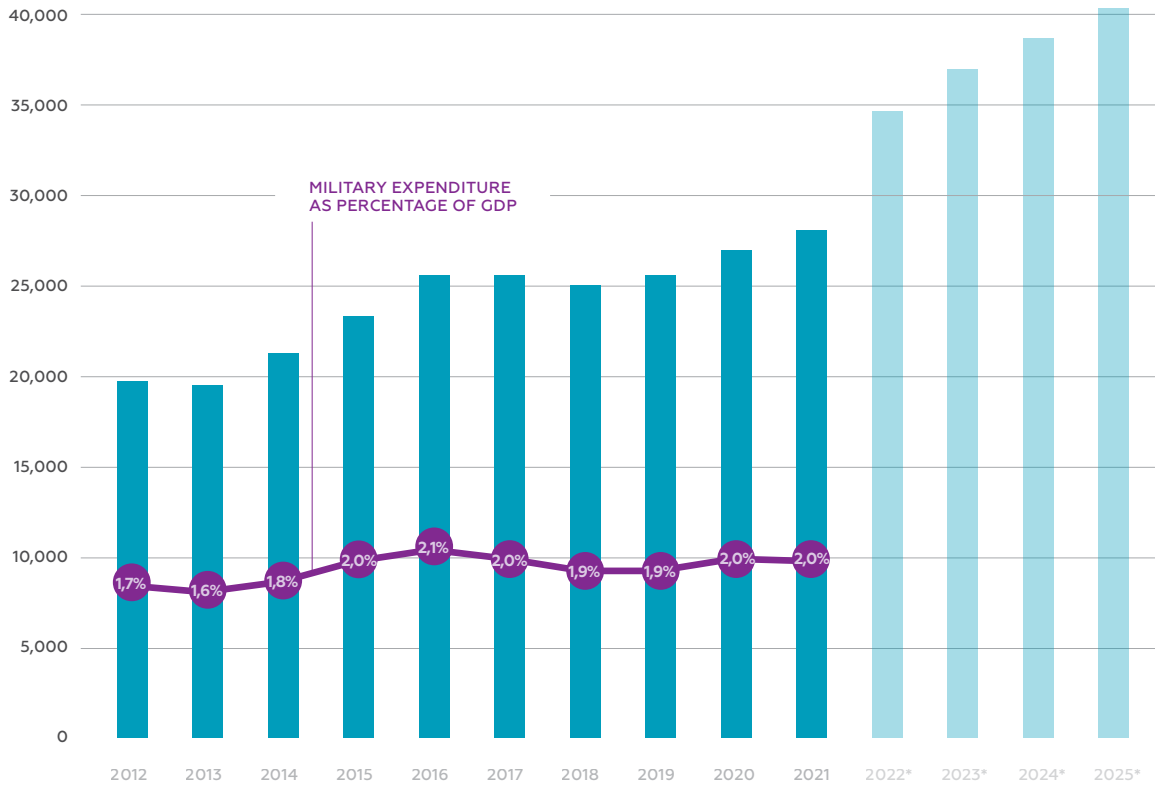
10 Australian Department of Defence, “2020 Defence Strategic Update”, July 1, 2020, <https://www.defence.gov.au/about/publications/2020-defence-strategic-update>, p.27 (accessed May 20, 2022).

11 Rod Lyon, “Defence update signals Australia’s waning faith in US extended deterrence”, *The Strategist* (Australian Strategic Policy Institute: July 6, 2020), <https://www.aspistrategist.org.au/defence-update-signals-australias-waning-faith-in-us-extended-deterrence/> (accessed May 20, 2022).

12 This was summarized, in short, into two opposing doctrines, “forward defence” and “the Defence of Australia”; see Mike Winnerstig, “Australian Security and Defence Policy – Geopolitics and Jobs”, *Studies in Asian and Middle Eastern Security*, FOI Memo 5704, May 2016; [https://www.foi.se/download/18.7fd35d7f166c56ebe0bdf1c/1542369110881/Australian-security-and-defense-policy\\_FOI-Memo-5704.pdf](https://www.foi.se/download/18.7fd35d7f166c56ebe0bdf1c/1542369110881/Australian-security-and-defense-policy_FOI-Memo-5704.pdf) (accessed May 20, 2022).

### 3 – AUSTRALIA’S MILITARY EXPENDITURE

MILITARY EXPENDITURE IN CONSTANT (2020) US\$M.



Source: SIPRI Military Expenditure Database, <https://milex.sipri.org/sipri> | \* Forecast: Australian Department of Defence, Defence Budget Portfolio 2022-23, March 2022, [https://www.defence.gov.au/sites/default/files/2022-03/2022-23\\_Defence\\_PBS\\_00\\_Complete\\_O.pdf](https://www.defence.gov.au/sites/default/files/2022-03/2022-23_Defence_PBS_00_Complete_O.pdf), p.12.), (Accessed May 27, 2022)

other non-conventional threats as priorities. Like in Europe, the 2008 financial crash also led to cuts in Australia’s defense budget (Figure 3). The 2009 and 2013 Defence White Papers still focused on counterterrorism and other non-conventional threats (e.g., piracy), although the 2009 iteration did include statements on the strategic consequences of China’s rise.<sup>13</sup> The 2013 White Paper was constrained by the post-financial crash economic policies.<sup>14</sup>

This trend was reversed in 2016. Like Europeans, Australians gradually emerged from a world where the main threats had been non-state actors and

woke up to an increasing risk of state-to-state conflict and major wars. What Russia was to Europe, China became to Australia, leading to a renewal of the focus on territorial defense. It is worth noting, however, that Australian policy declarations do not name China as a ‘threat’ but speak more generically about a ‘hostile major power.’

#### The 2016 White Paper: A first step

Between 2013 and 2016, Australia’s strategic environment began to change dramatically. Continued regional military modernization meant that Australia’s technological edge vis-à-vis its neighbors started to erode.

13 Nicole Brangwin, et. al., “Defending Australia: a history of Australia’s defence white papers”, Research Paper Series, 2015-16 (Parliament of Australia: August 20, 2015), [https://parinfo.aph.gov.au/parInfo/download/library/prsub/4024138/upload\\_binary/4024138.pdf;fileType=application/pdf](https://parinfo.aph.gov.au/parInfo/download/library/prsub/4024138/upload_binary/4024138.pdf;fileType=application/pdf) (accessed May 20, 2022).

14 Mike Winnerstig, “Australian Security and Defence Policy – Geopolitics and Jobs”, Studies in Asian and Middle Eastern Security, FOI Memo 5704, May 2016; [https://www.foi.se/download/18.7fd35d7f166c56ebe0bdf1c/1542369110881/Australian-security-and-defence-policy\\_FOI-Memo-5704.pdf](https://www.foi.se/download/18.7fd35d7f166c56ebe0bdf1c/1542369110881/Australian-security-and-defence-policy_FOI-Memo-5704.pdf), p.2 (accessed May 20, 2022).

The People's Republic of China (PRC) engaged in increasingly bold activities in the South China Sea, with land reclamation and build-up of military facilities peaking between 2013 and 2017.<sup>15</sup> These enhance the People's Liberation Army Navy's power projection and facilitate the undertaking of nuisance activities against other South China Sea claimants.<sup>16</sup> As a result, the 2016 Defence White Paper (DWP) addressed the South China Sea issue in detail.<sup>17</sup> Overall, however, the 2016 DWP still "accorded equal priority to local, regional and global missions and commitments".<sup>18</sup>

The policy document established three strategic defence interests: (1) "a secure, resilient Australia, with secure northern approaches and proximate sea lines of communication;" (2) "a secure nearer region, encompassing maritime South East Asia and the South Pacific;" (3) "a stable Indo-Pacific region and a rules-based global order."<sup>19</sup> To defend these interests, the maritime dimension is crucial. As Sheryn Lee from the Swedish Defence University<sup>20</sup> explains, "The region is largely a maritime theatre, and most flash-points involve maritime territory, features, and resources. Moreover, navies have been the predominant way to project military power well beyond states' borders, particularly in maritime Asia."<sup>21</sup> Accordingly, the 2016 DWP gave priority to naval capabilities, planning to use a quarter of all investments toward the 'maritime and anti-submarine warfare capability stream.'<sup>22</sup> This includes plans to buy twelve submarines (already under consideration since the 2009 Defence White Paper), nine frigates, and twelve offshore patrol ves-

sels. Besides these naval platforms, the 2016 DWP also announced the procurement of P-8A Poseidon maritime surveillance aircraft and MQ-4C Triton surveillance unmanned aircraft to enable the Australian Defence Force (ADF) to monitor and intervene in the South China Sea. This implied the upgrade of facilities in Northern Australia to host the new fleet of P-8A aircraft. Other domains to be prioritized were ballistic missile defense, amphibious warfare capabilities, and the monitoring of space activities.<sup>23</sup>

The overall objective of the 2016 DWP was for Australia to maintain military superiority over potential attackers in the region.<sup>24</sup> Significant investment plans were included to that effect, in contrast to previous White Papers, as observers pointed out.<sup>25</sup> The pledges included: a ten-year funding plan, including increasing defense spending to two percent of GDP by the financial year 2020-2021. The proportion of the defense budget allocated to equipment purchases was scheduled to rise from 29 percent to 39 percent in the decade leading to 2025.<sup>26</sup> According to ASPI's Cost of Defence Database, capital spending amounted to 33.5 percent of total defense spending for the fiscal year 2022-23.<sup>27</sup>

### The 2020 DSU: increased technological and geopolitical concerns

The 2016 DWP was revised and superseded only a few years later when the 2020 Defence Strategic Update (2020 DSU) was published (see the list of primary sources in the annex).

- 15 Derek Crossman, "Chapter 12. Military build-up in the South China Sea", in *The South China Sea. From a Regional Maritime Dispute to Geo-Strategic Competition*, eds. Leszek Buszynski and Do Thanh Hai (London: Routledge, 2020), pp.182-200, [https://www.rand.org/pubs/external\\_publications/EP68058.html](https://www.rand.org/pubs/external_publications/EP68058.html) (accessed May 20, 2022).
- 16 Gregory B. Poling, "The Conventional Wisdom on China's Island Bases is Dangerously Wrong", *War on The Rocks*, January 10, 2020, <https://warontherocks.com/2020/01/the-conventional-wisdom-on-chinas-island-bases-is-dangerously-wrong/> (accessed May 20, 2022).
- 17 Euan Graham, "Regardless of Defence White Paper, We are being Out-Spent and Out-Built by China", Lowy Institute, March 8, 2016, <https://www.lowyinstitute.org/publications/regardless-defence-white-paper-we-are-being-out-spent-and-out-built-china> (accessed May 20, 2022).
- 18 Richard Brabin-Smith, "The return of sovereignty to Australia's defence strategy", *East Asia Forum*, August 11, 2020, <https://www.eastasiaforum.org/2020/08/11/the-return-of-sovereignty-to-australias-defence-strategy/> (accessed May 22, 2022).
- 19 Australian Department of Defence, "2016 Defence White Paper", 2016, <https://www.defence.gov.au/sites/default/files/2021-08/2016-Defence-White-Paper.pdf>, p.68 (accessed May 20, 2022).
- 20 Sheryn Lee is also the author of the country report on Taiwan "Deterring, Denying and Defending" published by the German Council on Foreign Relations (DGAP) as part of the project on "Risk Reduction and Arms Control in the Asia-Pacific Region," <https://dgap.org/en/research/programs/security-and-defence-program/risk-reduction-and-arms-control-asia-pacific-region>
- 21 Sheryn Lee, *Explaining Contemporary Asian Military Modernization. The Myth of Asia's Arms race* (London: Routledge, 2021), p.3.
- 22 Australian Department of Defence, "2016 Defence White Paper", 2016, <https://www.defence.gov.au/sites/default/files/2021-08/2016-Defence-White-Paper.pdf>, p.85 (accessed May 20, 2022).
- 23 Peter Jennings, "Pitching the battlefield far beyond the sea-air gap", Australian Strategic Policy Institute, February 27, 2016, <https://www.aspi.org.au/opinion/pitching-battlefront-far-beyond-sea-air-gap> (accessed May 22, 2022).
- 24 Mike Winnerstig, "Australian Security and Defence Policy – Geopolitics and Jobs", *Studies in Asian and Middle Eastern Security*, FOI Memo 5704, May 2016; [https://www.foi.se/download/18.7fd35d7f166c56ebe0bd1c/1542369110881/Australian-security-and-defence-policy\\_FOI-Memo-5704.pdf](https://www.foi.se/download/18.7fd35d7f166c56ebe0bd1c/1542369110881/Australian-security-and-defence-policy_FOI-Memo-5704.pdf) (accessed May 20, 2022)
- 25 Euan Graham, "Regardless of Defence White Paper, We are being Out-Spent and Out-Built by China", Lowy Institute, March 3, 2016, <https://www.lowyinstitute.org/publications/regardless-defence-white-paper-we-are-being-out-spent-and-out-built-china> (accessed May 20, 2022); Euan Graham, "Australia's 2016 Defence White Paper – Forward funded defence", Lowy Institute, March 3, 2016, <https://www.lowyinstitute.org/publications/australias-2016-defence-white-paper-forward-funded-defence> (accessed May 22, 2022).
- 26 Australian Department of Defence, "2016 Defence White Paper", 2016, <https://www.defence.gov.au/sites/default/files/2021-08/2016-Defence-White-Paper.pdf>, p.177, p.181 (accessed May 20, 2022).
- 27 Marcus Hellyer, "The Cost of Defence Public Database", "Capital Program – April 2022", last updated April 27, 2022, <https://docs.google.com/spreadsheets/d/1w4PB7stl1Eff4KrlXKPZgS0h8P6wzZl/edit#gid=1671162519> (accessed June 20, 2022).

By 2020, Australia's geopolitical outlook had worsened even further, and the 2020 DSU was the result.<sup>28</sup> It mainly narrowed the focus of the ADF's operations from the wider Indo-Pacific defined in the 2016 White Paper to Australia's more immediate neighborhood, contributing to a renewed prioritization of territorial defense. Even then, the geographical scope of ADF priorities still reaches from the Northeast Indian Ocean (e.g., Bangladesh, Sri Lanka, the Maldives)<sup>29</sup> to the Southwest Pacific (e.g., Kiribati and the Cook Islands).<sup>30</sup> However, Australia did end its naval presence in the Middle East and its participation in the International Maritime Security Construct.<sup>31</sup>

A key force behind this change was increasing uncertainty regarding US engagement in the region during Donald Trump's presidency. Again, this is close to the experience in Europe, where Trump's attitude toward US allies stimulated a debate over strategic autonomy. Even though the United States increasingly concentrated on China as its new major strategic rival, the Trump administration's transactional diplomacy created unease in Canberra. The United States required its Asian (and European) allies to fund more of their own defense in exchange for security guarantees. At the same time, Sino-US tensions continued to rise across all domains. Finally, multilateralism in Asia did not mitigate these risks, given the divisions within ASEAN, the only regional organization with some political weight.<sup>32</sup>

The PRC's increasingly assertive behavior, combined with the quick pace of technological advancement, deepened concerns in Australia regarding the military balance in the region. China's acquisition of longer-range missiles means that Australia's geographical location is no longer sufficient as a protection. The 'sea-air gap' defense policy tenet cannot be up-

held any longer. By 2018, China was considered to be the most advanced country regarding hypersonic missiles technology as shown by the flight test of the DF-17 missile.<sup>33</sup> The US Department of Defense's 2019 China report doubled its assessment of launchers for ground-launched cruise missiles in Chinese inventories and tripled its assessment of launchers for intermediate-range ballistic missiles as compared to its 2018 data.<sup>34</sup> The DF-26 IBRM reportedly entered service in 2016 and has an estimated range of 4,000 km.<sup>35</sup> According to the US-China Economic and Security Review Commission, it would have the capacity to reach Darwin if launched from South China Sea outposts. Darwin is the capital and largest city of Australia's Northern Territory and where US Marines rotate annually since 2011 (Figure 4).<sup>36</sup> The notion of a ten-year strategic warning time also fell apart as China has been catching up on Australia's military technological advantage.<sup>37</sup> While it would still be difficult for the PLA to project conventional military force against Australia, the changing military balance in the region has become the key concern.

For its procurement plans, Australia continues to focus on naval platforms. The 2020 DSU dedicated 28 percent of future capability investment to the maritime domain. This was accompanied by additional increases in defense spending to sustain this capability investment. According to the 2020 DSU, funding for defense will reach AU\$73.7 billion (US\$51.28 billion) by 2029, up from AU\$41.7 billion (US\$29.01 billion) in 2020. Over ten years, this should add up to AU\$270 billion (US\$187.79 billion) in capability investment, as compared to AU\$195 billion (US\$135.62 billion) foreseen in the 2016 DWP for the same time.<sup>38</sup> According to May 2021 budgetary documents, allocations were on track with this projected trajectory (Figure 3).

28 Matthew Parry, "Australia's strategic view of the Indo-Pacific", *European Parliament Briefing*, February 2022, p.4, [https://www.europarl.europa.eu/RegData/etudes/BRIEF/2022/698917/EPRS\\_BRI\(2022\)698917\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIEF/2022/698917/EPRS_BRI(2022)698917_EN.pdf) (accessed May 22, 2022).

29 David Bewster, "Australia begins to step it up in the northeast Indian Ocean", *The Interpreter*, Lowy Institute, March 2, 2022, <https://www.loyyinstitute.org/the-interpreter/australia-begins-step-it-northeast-indian-ocean> (accessed May 22, 2022).

30 Australian Department of Defence, "2020 Defence Strategic Update", July 1, 2020, <https://www.defence.gov.au/about/publications/2020-defence-strategic-update>, (accessed May 20, 2022).

31 Stephen Dziedzic and Andrew Greene, "Australia no longer sending Navy to the Middle East, shifts focus to Asia-Pacific, China", ABC, October 23, 2020, <https://www.abc.net.au/news/2020-10-23/australia-will-stop-sending-navy-to-middle-east-to-shift-focus/12808118> (accessed May 22, 2022).

32 Desmond Ball, et. al., *Asia's New Geopolitics: Military Power and Regional Order* (London: Routledge, 2021), pp.15-17.

33 Ankit Panda, "China's Hypersonic Weapon Ambitions March Ahead", *The Diplomat*, January 8, 2018, <https://thediplomat.com/2018/01/chinas-hypersonic-weapon-ambitions-march-ahead/> (accessed May 22, 2022).

34 Henry Boyd, "2019 Pentagon report: China's Rocket Force trajectory", IISS, May 15, 2019, <https://www.iiss.org/blogs/military-balance/2019/05/pla-rocket-force-trajectory> (accessed May 22, 2022).

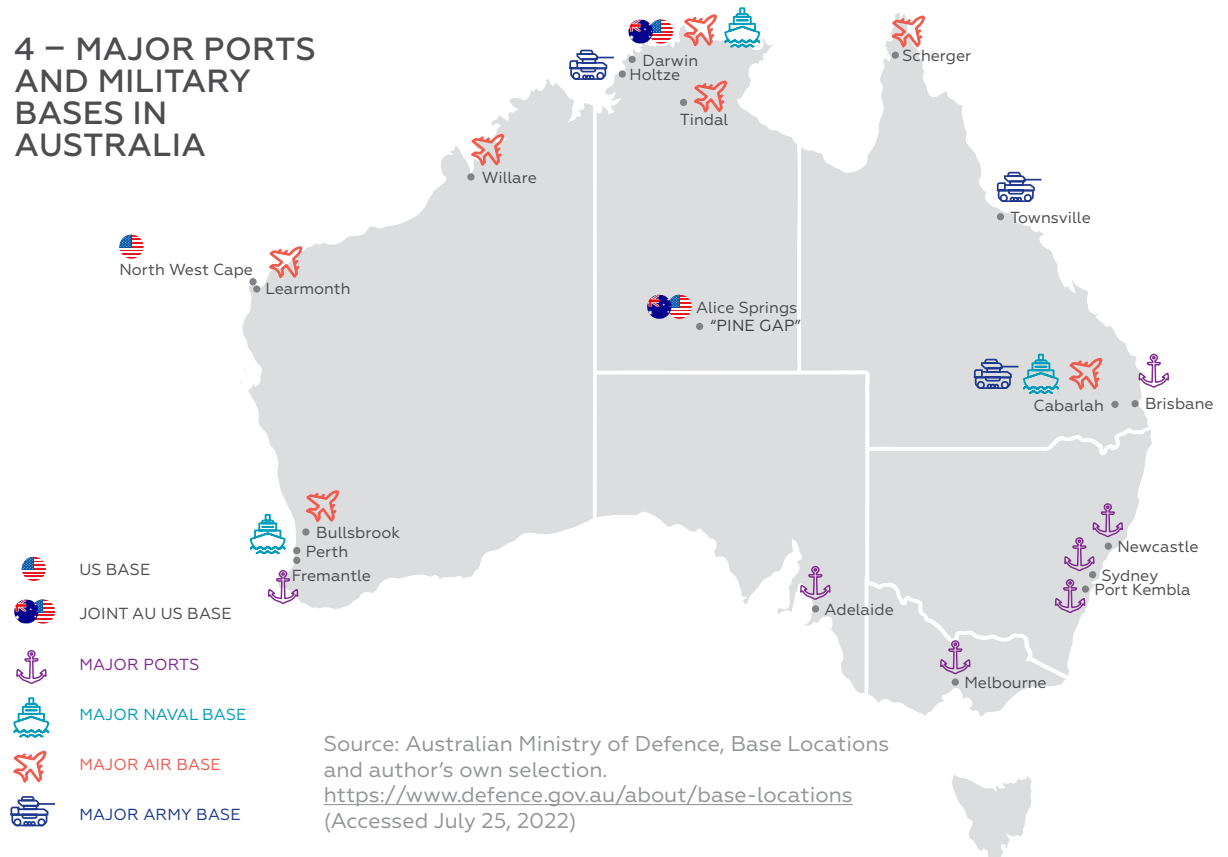
35 Missile Defense Project, "DF-26," Missile Threat, Center for Strategic and International Studies, January 8, 2018, last modified August 6, 2021, <https://missilethreat.csis.org/missile/dong-feng-26-df-26/>, (accessed May 22, 2022).

36 Australian Department of Defence, "Marine Rotational Force – Darwin", <https://defence.gov.au/Initiatives/USFPI/MRF-D.asp> (accessed May 22, 2022).

37 Euan Graham, "Australia's serious strategic update", IISS, July 3, 2020, <https://www.iiss.org/blogs/analysis/2020/07/apacific-australia-defence-update> (accessed May 22, 2022).

38 Australian Department of Defence, "2020 Defence Strategic Update", July 1, 2020, <https://www.defence.gov.au/about/publications/2020-defence-strategic-update>, (accessed May 20, 2022), p.35, p.53.

### 4 – MAJOR PORTS AND MILITARY BASES IN AUSTRALIA



### IMPLEMENTING THE SHIFT – MAJOR ARMS PROCUREMENT PROGRAMS

#### Planned and Ongoing Procurement Since the 2016 DWP

How do these policy shifts translate into military transformation and modernization? While the adaptation of force structure covers many different dimensions, from leadership and training to logistics and infrastructure, this study will focus on the most tangible aspect, which is weapons procurement. The analysis centers on the capability requirements fulfilled by Australia's largest equipment programs (Figure 4).

#### Combat Aircraft

In 2002, Australia selected the Lockheed Martin's F-35 to replace its McDonnell Douglas F/A-18 and General Dynamics F-111 fleets that are being retired. As of early 2022, the RAAF retains one squadron of

F/A-18.<sup>39</sup> Initial operating capability for the F-35 was achieved in December 2020, and all 72 aircraft are expected to be in service by 2023.<sup>40</sup> As a 5th generation combat aircraft, the F-35 is one of the world's most advanced combat aircraft in terms of sensors and electronics. It is designed to provide pilots with a full picture of their environment, locating targets and determining whether they are friends or foes.<sup>41</sup> The Australian Parliament considered that the F-35 continues to meet Australia's defense needs even after the policy shift described in the 2016 DWP. It noted that, industrial considerations aside, the F-35s' technological advancement in terms of stealth and situational awareness capability is unique. At the same time, the F-35 enables the Royal Australian Air Force (RAAF) to build a network-centric, digitally integrated force. Employing this combat aircraft also facilitates interoperability in alliance frameworks. As a result, the Parliament concluded that "the F-35A

39 International Institute for Strategic Studies, 'Australia', The Military Balance 2022, <https://www.tandfonline.com/doi/pdf/10.1080/04597222.2022.2022931> p.249

40 Australian Department of Defence, "Joint Strike Fighter Aircraft", December 2020, <https://www.defence.gov.au/project/joint-strike-fighter-aircraft> (accessed May 22, 2022).

41 Douglas Barrie, "F-35 situational awareness: sensing isn't enough", IISS, March 19, 2019, <https://www.iiss.org/blogs/military-balance/2019/03/f-35-situational-awareness> (accessed May 22, 2022).



is the only aircraft able to meet Australia's strategic needs for the foreseeable future. (...) The committee accepts that the F-35A will provide the air combat capability outlined by the Defence White Paper, and will be able to defeat airborne threats, prosecute attacks against both land and sea surface targets and support Australia's land and maritime forces.<sup>42</sup> With the F-35, the ADF will have one of the most technologically advanced air combat fleets of the region. The RAAF remains limited in size, but the combination of F-35 combat aircraft with other enabling assets and long-range missiles contributes to making it a modern air force.

### Maritime Operations

With the Hobart-class guided missile destroyers, the Royal Australian Navy (RAN) is also acquiring advanced military capabilities, even if, due to delays in the program, the first ship is not expected before the mid-2030s.<sup>43</sup>

Australia commissioned the three Spanish-designed ships (Navantia) between 2018 and 2020 to fulfil various roles: contribute to air-defense; protect accompanying ships, coastal land forces, and coastal infrastructure from aircraft and missile attack; support both surface and undersea warfare; and carry helicopters for surveillance.<sup>44</sup> The three Hobart-class air warfare destroyers replaced the four Adelaide-class frigates which had been in service since the 1980s.<sup>45</sup> The Hobart-class's air defense capabilities are derived from its Aegis Combat system, its AN/SPY 1D(V) radar, and SM-2 missiles.<sup>46</sup> The Aegis combat system fuses radar and fire control data, rendering the Hobart-class vessels interoperable with ships in

other navies equipped with the same system. In 2021, Australia ordered US-built Tomahawk cruise missiles and in 2022 the Kongsberg Naval Strike Missile (NSM) for its Hobart-class destroyers.<sup>47</sup> The NSM is expected to double the current maritime strike range of the ships, the current Harpoon missiles having an estimated range of 124 km. The Tomahawk have a reported range of 1,200 to 2,500 km.<sup>48</sup> Both missile announcements show the increasing preparedness of the RAN for combat engagement.

In 2018, the Australian Department of Defence selected BAE's Type-26 'Global Combat Ship' design for its future procurement of nine Hunter-class frigates. The Hunter class will also be equipped with the Aegis combat management system. Their primary role will be anti-submarine warfare.<sup>49</sup> The selection of the Type-26 shows that Australia wants a platform able to perform in high-intensity warfare.

### Surveillance and Reconnaissance

The RAAF took delivery of twelve Boeing P-8A maritime patrol aircraft between 2016 and 2019.<sup>50</sup> In addition to surveillance and reconnaissance, these systems have an anti-submarine/anti-surface warfare role. To enhance the area covered by the P-8A, the airbase infrastructure on the remote Cocos (Keeling) Islands is being renovated. Once completed, this will allow the RAAF to patrol the northern Indian Ocean.<sup>51</sup> The ADF plans to combine the use of its twelve P-8A aircraft with up to six Northrop Grumman MQ-4C Triton surveillance drones.<sup>52</sup> The unmanned MQ-4C can relieve the manned P-8A from prolonged and repetitive surveillance missions. The P-8A can thus be dispatched for other tasks such as anti-submarine

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- 42 Parliament of Australia, "Planned acquisition of the F-35 Lightning II (Joint Strike Fighter)", October 13, 2016, pp.11-16, p.67, [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Foreign\\_Affairs\\_Defence\\_and\\_Trade/JointStrikeFighter/-/media/Committees/fadt\\_ctte/JointStrikeFighter/report.pdf](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/JointStrikeFighter/-/media/Committees/fadt_ctte/JointStrikeFighter/report.pdf) (accessed May 22, 2022).
- 43 Andrew Greene, "Australia's Defence boss heads to UK to inspect British-designed warships and have talks on AUKUS, Ukraine", ABC, April 28, 2022, <https://www.abc.net.au/news/2022-04-26/defence-secretary-greg-moriarty-visits-uk/101013586> (accessed May 22, 2022).
- 44 BAE Systems, "Hobart-Class AWDs", <https://www.baesystems.com/en-us/what-we-do/awd> (accessed May 22, 2022).
- 45 David Watt, "The Air Warfare Destroyer program", Parliament of Australia, November 10, 2014, [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/rp1415/AWDProgram](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1415/AWDProgram) (accessed July 6, 2022).
- 46 Royal Australian Navy, "Destroyer, Guided Missile (DDG)", <https://www.navy.gov.au/fleet/ships-boats-craft/ddg> (accessed May 22, 2022).
- 47 Ewen Levick, "Tomahawk confirmed for Hobart class", September 17, 2021, <https://www.australiandefence.com.au/defence/sea/tomahawk-confirmed-for-hobart-class> (accessed May 22, 2022).
- 48 Sylvia Pfeifer, Demetri Sevastopulo and Anna Cross, "The nuclear technology behind Australia's Aukus submarine deal", *Financial Times*, September 19, 2021, <https://www.ft.com/content/aa5c9fd5-891b-4680-b3c7-5a55d03f673c> (accessed May 22, 2022); Missile Defense Project, "Tomahawk," Missile Threat, Center for Strategic and International Studies, September 19, 2016, last modified July 31, 2021, <https://missilethreat.csis.org/missile/tomahawk/> (accessed May 22, 2022).
- 49 Australian National Audit Office, "Project Data Summary Sheet. Future Frigates", Auditor-General Report No.13 2021-22, 2020-21 Major Projects Report, December 13, 2021, [https://www.anao.gov.au/sites/default/files/Auditor-General\\_Report\\_2021-2022\\_13\\_PDSS\\_future\\_frigates.pdf](https://www.anao.gov.au/sites/default/files/Auditor-General_Report_2021-2022_13_PDSS_future_frigates.pdf) (accessed May 22, 2022).
- 50 Australian Department of Defence, "P-8A Poseidon", <https://www.defence.gov.au/project/p-8a-poseidon> (accessed May 22, 2022).
- 51 Ewen Levick, "Cocos runway to be widened as Defence looks north", *Australian Defence Magazine*, April 18, 2019, <https://www.australiandefence.com.au/defence/air/cocos-runway-to-be-widened-as-defence-looks-north> (accessed May 22, 2022); Louis Dillon, "Defence progresses plans for Cocos Islands Poseidon upgrade", *Defence Connect*, June 19, 2019, <https://www.defenceconnect.com.au/key-enablers/4252-australia-progressing-plans-for-cocos-keeling-islands-upgrade-for-poseidon-operations+&cd=1&hl=en&ct=clnk&gl=se> (accessed May 22, 2022).
- 52 Australian National Audit Office, "Project Data Summary Sheet. MQ-4C Triton Remotely Piloted Aircraft System", Auditor-General Report No.13 2021-22, 2020-21 Major Projects Report, December 13, 2021, p.1, [https://www.anao.gov.au/sites/default/files/Auditor-General\\_Report\\_2021-2022\\_13\\_PDSS\\_MQ-4C\\_Triton\\_RemotelyPiloted\\_Aircraft\\_System.pdf](https://www.anao.gov.au/sites/default/files/Auditor-General_Report_2021-2022_13_PDSS_MQ-4C_Triton_RemotelyPiloted_Aircraft_System.pdf) (accessed May 22, 2022).

## 5 – AUSTRALIA'S KEY STRATEGIC EQUIPMENT ACQUISITIONS

SYSTEM NAME AND TYPE	AMOUNT	APPROVED PROJECT EXPENDITURE AUD	APPROVED PROJECT EXPENDITURE USD	STATUS	STRATEGIC RELEVANCE
<b>F-35 Lightning JSF aircraft</b> 	72	15,796	11,591	46 delivered as of March 2022	5th generation aircraft; provides the ADF with one of the most technologically advanced air combat fleets in the Indo-Pacific
<b>Hobart Class destroyers</b> 	3	9,094	6,673	3 delivered as of March 2022	Air defence role; to be fitted with Aegis combat system and Tomahawk cruise missiles
<b>Hunter Class frigates</b> 	9	6,056	4,444	Under procurement – design phase	Anti-submarine warfare role; to be fitted with Aegis combat system;
<b>P-8A Poseidon Maritime Patrol &amp; Response Aircraft System</b> 	14	5,639	4,138	12 delivered as of March 2022	Surveillance and reconnaissance; anti-submarine warfare
<b>Nuclear-Powered Submarines Design based on Virginia class (US) or Astute class (UK) subs</b> 	8	n.k.	n.k.	Under procurement – design phase	Potential deployment in all Indo-Pacific without detection; deterrence role

(Market exchange rate 2021, 1 USD = 1,363 AUD)

Sources: Australian Department of Defence, Defence Budget Portfolio 2022-23, March 2022, [https://www.defence.gov.au/sites/default/files/2022-03/2022-23\\_Defence\\_PBS\\_00\\_Complete\\_0.pdf](https://www.defence.gov.au/sites/default/files/2022-03/2022-23_Defence_PBS_00_Complete_0.pdf), See p.101, Table 54, "Top 30 Military Equipment Acquisition Program Approved Projects by 2022-23 Forecast Expenditure (Gross Plan)"; Australian Department of Defence, Defence Budget Portfolio 2021-22, March 2021, [https://www.defence.gov.au/sites/default/files/2022-02/2021-22\\_Defence\\_PBS\\_00\\_Complete.pdf](https://www.defence.gov.au/sites/default/files/2022-02/2021-22_Defence_PBS_00_Complete.pdf) See p.105, Table 54, "Top 30 Military Equipment Acquisition Projects by 2021-22 Forecast Expenditure (Gross Plan)"; SIPRI Arms Transfers Database, <https://www.sipri.org/databases/armstransfers>, accessed May 27, 2022.

Source for Exchange rate: Derived from IMF World Economic Outlook database, April 2022, <https://www.imf.org/en/Publications/WEO/weo-database/2022/April> (accessed May 27, 2022)

and anti-surface missions.<sup>53</sup> The P-8A are today for instance used in Operation Gateway, which conducts maritime surveillance patrols in the North Indian Ocean and South China Sea as part of Australia's commitment to preserving regional security in South East Asia. It is part of the Australian-Malaysian defense cooperation (Figure 6).<sup>54</sup>

### Space and Precision-Guided Weapons

The ADF is also investing in key areas of modern warfare such as space. The 2020 DSU insisted that Australia should develop independent capabilities, "including communications satellites and ground control stations that will be under sovereign Australian control."<sup>55</sup> The goal is to create a self-reliant capability for satellite imagery.<sup>56</sup> This is accompanied by increasing efforts to develop space capabilities with the creation of the National Space Agency in 2018 and the establishment of a Space Division within the RAAF in 2022.<sup>57</sup>

Related to space and satellite positioning are guided weapons systems, another priority for the ADF. The 2020 Force Structure Plan links the two domains: A 'self-reliant geospatial-information and intelligence capability' will support precision-guided weapons. In addition, the document sets out objectives for Australia's domestic armaments industries. They are to develop local manufacturing capabilities of precision-guided missiles as well as explosive ordnance to ensure a sufficient supply for the ADF.<sup>58</sup> In March 2021, the government launched the 'Sovereign Guided Weapons Enterprise.' This led to the selection of two US firms in April 2022, Lockheed Martin and Raytheon Technologies, to lead the effort for the development of local capabilities in Australia. The announcement provided little details as to the types of missiles that would be developed. In August 2021,

the Department of Defence also announced that Australia would join the US-led Precision Strike Missile co-development program.<sup>59</sup>

### AUKUS: Leveraging the US and UK Partnerships

In September 2021, the Australian government entered a new security agreement with the United States and the United Kingdom (AUKUS). Through AUKUS, Australia will procure nuclear-powered submarines from either one of these two partners, cancelling the ongoing program it had with France for conventional submarines.

### The Rationale Behind AUKUS

Terminating the Attack-class submarine purchase from France was a key strategic decision. Diplomatically, AUKUS marks an even tighter defense cooperation between Australia, the United Kingdom, and the United States. At the same time, it put another partner, France, on the sidelines. Militarily, the acquisition of nuclear-powered submarines is a step up for the RAN. While the Australian government had some complaints about how the French shipbuilding firm Naval Group implemented the contract, the two key grievances – spiraling costs and delays – do not appear to have been the key factors behind the decision. When it comes to costs, the French-built submarines were expected to reach AU\$90 billion over the course of their lifetime. Estimates from the Australian Strategic Policy Institute (ASPI) put the costs of the nuclear-powered submarine program at AU\$116 billion to AU\$71 billion.<sup>60</sup> Any delays appeared to have been resolved by Naval Group by September 2021,<sup>61</sup> and urgency could not have been a determining factor in the decision since the nuclear-powered submarines will be delivered later than the Attack class (2040 at the earliest, against 2033-35).<sup>62</sup> Local industrial content will also likely be less

53 Brian Weston, "On Target: Defending South of Australia's 'First Island Chain' – Part 3", *Australian Defence Business Review*, August 31, 2020, <https://adbr.com.au/feature-on-target-defending-south-of-australias-first-island-chain-part-3/> (accessed July 6, 2020).

54 Australian Department of Defence, "RAAF P-8A Poseidon completes first overseas deployment", June 17, 2017, <https://news.defence.gov.au/media/media-releases/raaf-p-8a-poseidon-completes-first-overseas-deployment> (accessed May 22, 2022).

55 Australian Department of Defence, "2020 Force Structure Plan – Space", July 2020, [https://www.defence.gov.au/sites/default/files/2020-11/Factsheet\\_Space.pdf](https://www.defence.gov.au/sites/default/files/2020-11/Factsheet_Space.pdf) (accessed May 22, 2022).

56 IISS, "Australia's Modernizing Armed Forces", "Chapter Six: Asia", pp.220-323, *The Military Balance 2020* (London: Routledge, 2020) pp.229-231, <https://doi.org/10.1080/04597222.2020.1707967>.

57 Australian Department of Defence, "Defence announces Space Division", May 19, 2021, <https://news.defence.gov.au/media/media-releases/defence-announces-space-division> (accessed May 22, 2022).

58 Australian Department of Defence, "2020 Force Structure Plan", July 2020, p.81-83, [https://www.defence.gov.au/sites/default/files/2020-11/2020\\_Force\\_Structure\\_Plan.pdf](https://www.defence.gov.au/sites/default/files/2020-11/2020_Force_Structure_Plan.pdf) (accessed May 22, 2022).

59 Australian Department of Defence, "Australia and US partner to spearhead precision strike missile capability", August 12, 2021, <https://www.minister.defence.gov.au/minister/peter-dutton/media-releases/australia-and-us-partner-spearhead-precision-strike-missile> (accessed May 22, 2022).

60 Andrew Nicholls, et. al., "Implementing Australia's nuclear submarine program", Australian Strategic Policy Institute, December 2021, p.71, [https://s3-ap-southeast-2.amazonaws.com/ad-aspi/2021-12/Implementing%20Australia%27s%20nuclear%20submarine%20program.pdf?VersionId=QNKdZOLGpF\\_lvY2MsQ\\_ic8c6bRc7kFpx](https://s3-ap-southeast-2.amazonaws.com/ad-aspi/2021-12/Implementing%20Australia%27s%20nuclear%20submarine%20program.pdf?VersionId=QNKdZOLGpF_lvY2MsQ_ic8c6bRc7kFpx) (accessed May 22, 2022).

61 Peter Hartcher, "AUKUS fallout: double-dealing and deception came at a diplomatic cost", *WA Today*, May 15, 2022, <https://www.watoday.com.au/national/aukus-fallout-double-dealing-and-deception-came-at-a-diplomatic-cost-20220513-p5a195.html> (accessed May 22, 2022).

62 Nick Childs, "AUKUS: Plotting Australia's new submarine course", IISS, September 28, 2021, <https://www.iiss.org/blogs/military-balance/2021/09/aukus-plotting-australias-new-submarine-course> (accessed May 22, 2022).



significant under the AUKUS arrangement than with the French contractor.<sup>63</sup> Putting timelines, costs, and industrial drivers aside, strategic considerations remain. Naval Group's offer had been selected in 2016, and since then, Australia's threat perceptions have become much more acute. When the United States and the United Kingdom became willing to provide nuclear technology to Australia, the superior military advantages of nuclear-powered submarines – which will be discussed in the next section – became more attractive to the political leadership in Canberra.

So did the strengthened partnership with the United States. From a US perspective, Australia has an increasingly important role to play in any possible Indo-Pacific conflict. As Lee and Schreer note, Australia “could serve both as a logistical hub for American long-range strike aircraft and submarines, and also as a major arsenal for American strategic logistics and for battle damage repairs.”<sup>64</sup> As the United States only has a sparse military presence in the Indian Ocean, deploying from Australia's Northern Territory could facilitate operations.<sup>65</sup> The United States also enjoys access to several Australian military facilities (Figure 4).<sup>66</sup>

### Nuclear-Powered vs Conventional Submarines

In a December 2021 report, ASPI pointed out that nuclear-powered submarines have longer endurance and time on station. Conventional submarines could not move from Australia to Northeast Asia without refueling, but nuclear-powered submarines can be deployed in the entire Indo-Pacific region.<sup>67</sup> The conventional submarines, which are powered by diesel engines, need to resurface on a regular basis to recharge their batteries, while nuclear-powered submarines may not need refueling for decades.<sup>68</sup> The

ASPI report further notes that nuclear-powered submarines can navigate at high speed for a longer period than diesel-powered variants; they can also carry a higher number of weapons. As put by Marcus Hellyer, nuclear-powered submarines “are far better suited to the kinds of operations Australia conducts in the vast expanses of the Indo-Pacific (...) [Nuclear submarines] will shape the calculus of any potential adversary across regions, and that's what deterrence is all about.”<sup>69</sup> AUKUS aligns with the 2020 DSU insofar as it is clearly aimed at building a credible deterrence vis-à-vis China.

### The Contents of the Announcement

AUKUS was announced on September 16, 2021. It contains a far-reaching agreement on technology transfer. Only with Britain did the United States ever agree to a similar sharing of nuclear propulsion know-how for naval vessels, and that agreement dates back to 1958.<sup>70</sup> Besides the decision on nuclear-powered submarines, AUKUS proposes cooperating in the domains of cyber, artificial intelligence, quantum technologies, and undersea systems.<sup>71</sup> Joint work on these emerging military technologies will contribute to further improving interoperability between forces. Since September 2021, trilateral working groups at different levels are exploring the various dimensions of AUKUS.<sup>72</sup> A nuclear propulsion sharing agreement was signed in November 2021 and entered into force in February 2022. In April 2022, further announcements were made: Training had started for Australian personnel in nuclear science and engineering; Australia confirmed preexisting plans to establish a submarine base on the east coast of the country; and discussions with the International Atomic Energy Agency had begun. On other areas of cooperation, the state parties also claimed

- 63 Andrew Greene, “Submarine jobs will be sent offshore under nuclear deal with US and UK, defence suppliers say”, *ABC*, September 30, 2021, <https://www.abc.net.au/news/2021-10-01/defence-suppliers-fear-nuclear-submarine-jobs-overseas/100504356> (accessed May 22, 2022).
- 64 Benjamin Schreer and Sheryn Lee, “The Willing Ally? Australian Strategic Policy in a Contested Asia”, *RUSI Journal* 157 no. 5 (2012), pp.78-84 p.79, <https://doi.org/10.1080/03071847.2012.733118> (accessed May 27, 2022).
- 65 Anastasia Kapetas, “Australia's geography could be our greatest strategic asset”, Australian Strategic Policy Institute, December 2, 2021, <https://www.aspi.org.au/australias-geography-could-be-our-greatest-strategic-asset/> (accessed May 27, 2022).
- 66 Richard Tanter, “Tightly Bound: Australia's Alliance-Dependent Militarization”, *GlobalAsia* 13, no.1 (2018), pp.62-67, <https://www.globalasia.org/data/file/articles/949d98fc406f5f08c700d8555f81b06d.pdf> (accessed May 27, 2022).
- 67 Andrew Nicholls, et. al., “Implementing Australia's nuclear submarine program”, Australian Strategic Policy Institute, December 2021, p.10, [https://s3-ap-southeast-2.amazonaws.com/ad-aspi/2021-12/Implementing%20Australia%27s%20nuclear%20submarine%20program.pdf?VersionId=QNKdZOLGpF\\_lvY2MsQ\\_icBc6bRc7kFpx](https://s3-ap-southeast-2.amazonaws.com/ad-aspi/2021-12/Implementing%20Australia%27s%20nuclear%20submarine%20program.pdf?VersionId=QNKdZOLGpF_lvY2MsQ_icBc6bRc7kFpx) (accessed May 22, 2022).
- 68 Sylvia Pfeifer, Demetri Sevastopulo and Anna Gross, “The nuclear technology behind Australia's Aukus submarine deal”, *Financial Times*, September 19, 2021, <https://www.ft.com/content/aa5c9fd5-891b-4680-b3c7-5a55d03f673c> (accessed May 27, 2022).
- 69 Marcus Hellyer, “Australia's credibility rests on subs success”, Australian Strategic Policy Institute, September 17, 2021, <https://www.aspi.org.au/opinion/australias-credibility-rests-on-success> (accessed May 27, 2022).
- 70 Congressional Research Service, “AUKUS Nuclear Cooperation”, *In Focus*, March 11, 2022, p.1, <https://s3.documentcloud.org/documents/21420012/aukus-nuclear-cooperation-march-11-2022.pdf> (accessed May 27, 2022).
- 71 United States White House, “Remarks by President Biden, Prime Minister Morrison of Australia, and Prime Minister Johnson of the United Kingdom Announcing the Creation of AUKUS”, Speeches and Remarks, September 15, 2021, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/09/15/remarks-by-president-biden-prime-minister-morrison-of-australia-and-prime-minister-johnson-of-the-united-kingdom-announcing-the-creation-of-aukus/> (accessed May 27, 2022).
- 72 Marcus Hellyer and Ben Stevens, “ASPI AUKUS update 1: May 2022”, *Strategic Insights* 170, Australian Strategic Policy Institute, May 2022, <http://ad-aspi.s3-ap-southeast-2.amazonaws.com/2022-05/ASPI%20AUKUS%20update%201.pdf?VersionId=IB063VndLT5t5YHsDDwHvxWnKvIC4m1> (accessed May 27, 2022).

to have made some progress on undersea capabilities, quantum technologies, artificial intelligence and autonomy, cyber capabilities, hypersonics and counter-hypersonics capabilities, and electronic warfare.<sup>73</sup> It is worth noting that Australia has been doing research and development of hypersonics technologies for a decade and prior to AUKUS had already partnered with the United States for joint research on this type of weapon systems.<sup>74</sup>

#### Next Steps for the AUKUS Submarine Program

The details on which partner Australia will choose for its future submarine capability continue to be scant. The choice is between the US-built Virginia class with 7,900 to 10,000 tons and a crew of over 130 sailors and the UK-built Astute-class with 7,400 tons and a crew of 98.<sup>75</sup> The choice of design not only has consequences for delivery schedules and local content. The Australian government will also need to build a nuclear infrastructure, albeit a limited one, since some local workforce capacity and infrastructure will be necessary to operate and maintain the nuclear reactors of the future submarines. Nuclear safety regulations and training to abide by them will also be required.<sup>76</sup> Another key challenge will be the recruitment and training of the submarine crews. Furthermore, despite Australia's planned increases in military spending (Figure 3), the procurement of nuclear-powered submarines will add pressure to the overall budget as they are expected to be more expensive than the Attack-class subs that were initially ordered.

#### Australia's Domestic Armaments Industry

Australia's Defence White Papers have long revolved around the concept of 'self-reliance.' This is understood to be distinct from 'self-sufficiency,' which

would involve producing the full range of weapon systems domestically. Nevertheless, the latest iterations of Australia's defense policy statements in 2016 and 2020 allocate significant funding for the support of domestic arms-manufacturing firms. Alongside the 2016 Defence White Paper, a Defence Industrial Policy Statement was published.<sup>77</sup> Investing in domestic arms production capabilities was seen as part of Australia's new emphasis on a more robust defense posture. It was followed by a Defence Industrial Capability Plan and Defence Export Strategy in 2018. The former list sovereign capabilities that Australia wishes to develop locally.<sup>78</sup> These policy documents signaled to international arms suppliers that to obtain contracts with the Australian Department of Defence, they will need to invest in local industrial capabilities. For instance, with regards to the Attack-class submarine contract, one of the key points of discussion between Naval Group and the Australian Department of Defence was the commitment to local knowledge transfer. The French shipbuilder eventually committed to spending 60 percent of the sums allocated through the contract locally.<sup>79</sup>

Currently, Australia still is the world's fourth largest arms importer (2017-2021). The United States accounted by far for the largest proportion of these imports, supplying over 65 percent of Australia's imports.<sup>80</sup> Also, most of Australia's largest weapons manufacturers are foreign-owned subsidiaries as Australian Defence Magazine's top 40 Defense contractors list shows.<sup>81</sup> Building up local production capabilities is therefore likely to take a long time. The concept of self-reliance will also be quite relative given that Australia's future submarine capabilities will rely extensively on the United States and the United Kingdom.

73 United States White House, "Fact Sheet: Implementation of the Australia – United Kingdom – United States Partnership (AUKUS)", Statements and releases, April 5, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/04/05/fact-sheet-implementation-of-the-australia-united-kingdom-united-states-partnership-aukus> (accessed May 27, 2022).

74 Marcus Hellyer, "Making sense of Australia's salvo of missile announcements", Australian Strategic Policy Institute, April 7, 2022, <https://www.aspi.org.au/making-sense-of-australias-salvo-of-missile-announcements/> (accessed May 27, 2022).

75 Nick Childs, "AUKUS: Plotting Australia's new submarine course", International Institute for Strategic Studies, September 23, 2021, <https://www.iiss.org/blogs/military-balance/2021/09/aukus-plotting-australias-new-submarine-course> (accessed May 27, 2022).

76 Marcus Hellyer, "Submarines that don't need refuelling still require a nuclear industry", Australian Strategic Policy Institute, September 30, 2021, <https://www.aspi.org.au/opinion/submarines-dont-need-refuelling-still-require-nuclear-industry> (accessed May 27, 2022).

77 Australian Department of Defence, "Defence Industry Policy Statement", 2016, [https://www.defence.gov.au/sites/default/files/2021-08/2016-Defence-Industry-Policy-Statement\\_0.pdf](https://www.defence.gov.au/sites/default/files/2021-08/2016-Defence-Industry-Policy-Statement_0.pdf) (accessed June 18, 2022).

78 Australian Department of Defence, "Defence Industrial Capability Plan", 2018, <https://www.defence.gov.au/business-industry/capability-plans/defence-industrial-capability-plan>; Australian Department of Defence, "Defence Export Strategy", 2018, <https://www.defence.gov.au/business-industry/export/strategy> (all accessed June 18, 2022).

79 "Naval Group commits to 60 per cent local contract spend to boost Australian industry", *Australian Defence Magazine*, March 23, 2021, <https://www.australiandefence.com.au/defence/sea/naval-group-commits-to-60-per-cent-local-contract-spend-to-boost-australian-industry> (accessed June 18, 2022).

80 Stockholm International Peace Research Institute (SIPRI), Arms Transfers Database, <https://www.sipri.org/databases/armstransfers> (accessed June 18, 2022).

81 Ewen Levick & Kylie Leonard, "ADM's Top 40 Defence Contractors 2021", *Australian Defence Magazine*, <https://www.australiandefence.com.au/industry/top-40/adm-s-top-40-defence-contractors-2021> (accessed June 18, 2022).

## 6 – AUSTRALIA'S KEY ALLIES AND PARTNERS

COUNTRY	FORM OF COOPERATION	KEY AGREEMENT/Framework
 United States	Alliance	ANZUS, AUKUS, Five Eyes
 New Zealand	Alliance	ANZUS, Five Eyes, FPDA
 Japan	Partnership	Quad, ACSA, RAA
 United Kingdom	Partnership	AUKUS, Five Eyes, FPDA
 India	Partnership	Quad
 Singapore	Partnership	FPDA
 Malaysia	Partnership	FPDA
 Canada	Partnership	Five Eyes
 NATO	Enhanced Opportunity Partner	Individual Partnership and Cooperation Programme (IPCP)

Source: Author's own selection and analysis

### THE 'ALLY DOWN UNDER'

Australia's defense policy relies to a large extent on its alliances and partnerships in the region and beyond. Both the 2016 and 2020 defense policy papers stress the importance of regional partnerships. The section below provides a brief overview of Australia's key partners from a defense standpoint (Figure 6).

#### The United States:

##### Cornerstone of Australia's security

As exemplified by AUKUS, the United States is Australia's most important military ally. In 1951, Australia, New Zealand, and the United States signed the ANZUS Treaty which extends Washington's nuclear umbrella to Australia. The Treaty's fourth article states that "each Party recognizes that an armed attack in the Pacific Area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes."<sup>82</sup>

Australia is also a member of the 1956 'Fives Eyes' intelligence sharing agreement with the United States, the United Kingdom, Canada, and New Zealand. Australia is the only US ally which has fought with the United States in all its military operations.<sup>83</sup>

#### New Zealand

In the region, Australia's first and foremost ally is New Zealand. While ANZUS no longer covers the US-New Zealand part of the treaty, Wellington still participates in the Five Eyes agreement and the Five Power Defence Arrangements (FPDA) with the United Kingdom, Malaysia, and Singapore. Bilateral defense cooperation is cemented by the 1944 Canberra Pact, and the 1991 Closer Defence Relations agreement (CDR). The latter was updated in 2018 when the two countries announced steps for more effective combined operations, through, inter alia, agreements for logistic support and sustainment as well as for command, control, and communication.<sup>84</sup>

82 Australian Government Publishing Service, "The ANZUS Treaty", Australian Treaty Series 1952 No 2, [https://www.aph.gov.au/parliamentary\\_business/committees/house\\_of\\_representatives\\_committees?url=jfadt/usrelations/report/appendixb.pdf](https://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=jfadt/usrelations/report/appendixb.pdf) (accessed May 27, 2022).

83 Matthew Parry, "Australia's strategic view of the Indo-Pacific", *European Parliament Briefing, February 2022*, p.2, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/698917/EPRS\\_BRI\(2022\)698917\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/698917/EPRS_BRI(2022)698917_EN.pdf) (accessed May 22, 2022).

84 New Zealand Ministry of Defence, "Australia- New Zealand Joint Statement on Closer Defence Relations", March 9, 2018, <https://www.defence.govt.nz/assets/publication/ce26ee3f18/260226-Closer-Defence-Relations-CDR-Statement-9-March-2018.pdf> (accessed May 27, 2022).

### The Quad

Australia is a member of the 'Quadrilateral Security Dialogue' or 'Quad,' an informal defense cooperation framework with the United States, Japan, and India. The Quad was originally formed in 2007 but Australia withdrew a year later so as not to raise concerns in Beijing. The grouping was reestablished in 2017. It provides the framework for the Malabar naval exercises as well as for multilateral exchanges and information sharing.<sup>85</sup> The Quad is brought to life with bimonthly meetings at ministerial working level and annual meetings of the four nations' foreign ministers.

### Japan

Japan and Australia signed in 2007 a Joint Declaration on Security Cooperation, which encompasses issues such as counterterrorism, disarmament, counter proliferation, peace operations and humanitarian assistance, and disaster relief. Australia and Japan further signed an Acquisition Cross Servicing Agreement (ACSA) related to defense logistics and an Information Security Agreement, both of which entered into force in 2013. The defense relationship was elevated to a 'special strategic partnership' in 2014, and the ACSA was revised in 2017.<sup>86</sup> A Reciprocal Access Agreement (RAA) negotiated from 2014 onward was signed in January 2022.<sup>87</sup> Besides the United States, Australia is the only other country with which Japan has such an agreement.<sup>88</sup> The relationship can be considered as a 'quasi-alliance.'<sup>89</sup>

### Southeast Asia

Southeast Asia features heavily in Australian defense considerations, given the relatively close geographic location and the importance of maritime routes for Australia's supply and trade. Also, Australia fears that a conflict in the South China Sea could lead to desta-

bilization in the Indo-Pacific. For all these reasons, Australia has long nurtured development and military aid relations with Southeast Asian nations. However, these relations are now entering a new phase as Southeast Asian countries reached a more advanced development stage. Australia's strongest ties in Southeast Asia are with Singapore and Malaysia.<sup>90</sup> The three countries are part of the Five Powers Defence Arrangement (FPDA) of 1971 alongside New Zealand and the United Kingdom. At the bilateral level, Singapore's armed forces share access to military training areas and facilities in Australia, while Australia and Malaysia have established a Joint Defence Programme which provides the framework for the RAAF's Operation Gateway, allowing Australian military aircraft to patrol the Indian Ocean and the South China sea for search and rescue and counter piracy roles.<sup>91</sup>

Relationships with Indonesia were long strained, but recent Australian defense policy documents recognize the importance of cooperation with Jakarta.<sup>92</sup> Joint training had temporarily stopped in 2017<sup>93</sup> before the two countries signed a defense cooperation arrangement in 2018, updated in 2021.<sup>94</sup> The two countries also engage in joint exercises.

Australia participates in the 'ADMM Plus' meetings, which brings together defense ministers from ASEAN and its dialogue partners referred to as 'plus countries.' This forum meets annually since 2017.

### Pacific Island Nations

Australia has strategic interests in the South Pacific and has maintained economic assistance as well as military training relations with most of the island states.<sup>95</sup> One of the most extensive defense cooperation programs is with Papua New Guinea, the largest

85 International Institute for Strategic Studies, "Chapter Six: Asia", in *The Military Balance 2022*, pp. 218-317, p.226, <https://doi.org/10.1080/04597222.2022.2022931> (accessed May 27, 2022).

86 Australian Embassy in Tokyo, "Strategic Partnership", <https://japan.embassy.gov.au/kyo/Strategic-partnership.html> (accessed May 27, 2022).

87 Japan Ministry of Foreign Affairs, "Japan-Australia Reciprocal Access Agreement", January 6, 2022, [https://www.mofa.go.jp/a\\_o/ocn/au/page4e\\_001195.html](https://www.mofa.go.jp/a_o/ocn/au/page4e_001195.html) (accessed May 27, 2022).

88 Shiro Armstrong, "Security relationship with Japan is only the beginning for Australia", *East Asia Forum*, January 6, 2022, <https://www.eastasiaforum.org/2022/01/06/security-relationship-with-japan-is-only-the-beginning-for-australia/> (accessed May 27, 2022).

89 Sheryn Lee, *Explaining Contemporary Asian Military Modernization. The Myth of Asia's Arms race* (London: Routledge, 2021), p.135.

90 Desmond Ball, et. al., *Asia's New Geopolitics: Military Power and Regional Order*, (London Routledge/International Institute for Strategic Studies, 2021), p.103.

91 Royal Australian Air Force, "Reflecting on P-3 Orion's Service History", <https://www.airforce.gov.au/news-and-events/news/reflecting-p-3-orions-service-history> (accessed May 27, 2022).

92 Editorial Board, "Missing pieces in Australia's security strategy", *East Asia Forum*, July 20, 2020, <https://www.eastasiaforum.org/2020/07/20/missing-pieces-in-australias-security-strategy/> (accessed May 27, 2022).

93 "Indonesia suspends military co-operation with Australia", *BBC*, January 4, 2017, <https://www.bbc.com/news/world-asia-38504188> (accessed May 27, 2022).

94 Sebastian Strangio, "Australia, Indonesia Agree to Ramp up Defense Relationship", *The Diplomat*, September 10, 2021, <https://thediplomat.com/2021/09/australia-indonesia-agree-to-ramp-up-defense-relationship/+&cd=3&h=en&ct=clnk&gl=se> (accessed May 27, 2022).

95 For the list of members of the Pacific Islands Forum, see: The Pacific Islands Forum, "Forum Members" <https://www.forumsec.org/who-we-arepacific-islands-forum/> (accessed May 27, 2022).

and geographically closest of the Pacific Island nations.<sup>96</sup> Both the 2016 DWP and the 2020 DSU proposed greater Australian engagement in the South Pacific through the continuation of existing initiatives and establishment of new ones: the Maritime Security Programme, the Pacific Patrol Boat Programme, and the Pacific Step-Up.

These relationships are of increasing relevance in the redefinition of the balance of power in the Indo-Pacific. Indeed, China is also expanding its influence in the region both economically and politically. The Solomon Islands dropped recognition of Taiwan in 2019 in favor of mainland China. In early 2022, a security agreement between China and the Solomon Islands sparked fears that the PRC could establish a military base in a country located only 2,000 km from Australia and adjoining major shipping lanes.<sup>97</sup> This issue was considered important enough for Australia to play a role in the 2022 electoral campaign.

### Europe

Australia is an 'Enhanced Opportunities Partner' for NATO. The ADF joined the NATO counter-piracy operation Ocean Shield off the coast of Somalia, the NATO mission in Iraq, and the International Security Assistance Force (ISAF) operations in Afghanistan. While the defense relationship with the United Kingdom is close, even more so with AUKUS, the cancellation of the Attack-class submarine order has damaged cooperation with France for years. In France's February 2022 update of its Indo-Pacific strategy, Australia is no longer considered a strategic partner.<sup>98</sup> Meanwhile, cooperation with Germany intensified as the two countries signed onto an 'enhanced strategic partnership' in June 2021.<sup>99</sup> After Russia's invasion of Ukraine, Canberra signaled its solidarity with Europe by providing an aid package to Ukraine and applying sanctions against Russia. Australia also sent Bushmaster vehicles, M777 howitzers, and

M113 armored personnel carriers to Ukraine.<sup>100</sup> Beijing's support for Moscow in its war against Ukraine contributes to the rising concerns regarding China's geopolitical objectives.<sup>101</sup> This also led NATO and Australia alongside New Zealand, Japan, and South Korea, to intensify their cooperation.

96 Australia Department of Foreign Affairs and Trade, "Stepping-up in Papua New Guinea", <https://www.dfat.gov.au/geo/papua-new-guinea/stepping-up-in-papua-new-guinea> (all accessed May 27, 2022).

97 Australia Department of Foreign Affairs and Trade, "Solomon Islands country brief", <https://www.dfat.gov.au/geo/solomon-islands/solomon-islands-country-brief>; "Solomon Islands confirms China security draft, alarming Australia", *BBC*, March 25, 2022, <https://www.bbc.com/news/world-australia-60870238>; Damien Cave, "Why a Chinese Security Deal in the Pacific Could Ripple Through the World", *New York Times*, April 20, 2022, <https://www.nytimes.com/2022/04/20/world/australia/china-solomon-islands-security-pact.html>; Euan Graham, "Assessing the Solomon Islands' new security agreement with China", May 5, 2022, <https://www.iiss.org/blogs/analysis/2022/05/china-solomon-islands> (all accessed May 27, 2022).

98 France Government, "France's Indo-Pacific Strategy", February 2022, [https://www.diplomatie.gouv.fr/IMG/pdf/en\\_dcp\\_a4\\_indopacifique\\_022022\\_v1-4\\_web\\_cle878143.pdf](https://www.diplomatie.gouv.fr/IMG/pdf/en_dcp_a4_indopacifique_022022_v1-4_web_cle878143.pdf) (accessed May 27, 2022).

99 Australia Department of Foreign Affairs and Trade, "Enhanced Strategic Partnership between Australia and the Federal Republic of Germany", <https://www.dfat.gov.au/about-us/publications/international-relations/enhanced-strategic-partnership-between-australia-and-federal-republic-germany> (accessed May 27, 2022).

100 Dylan Malyasov, "Australia sends more armored vehicles to Ukraine", *Defence Blog*, May 19, 2022, <https://defence-blog.com/australia-sends-more-armored-vehicles-to-ukraine/> (accessed May 27, 2022).

101 Christian Davies, Kathrin Hille, Nic Fildes, Leo Lewis, "Ukraine war hardens Washington's Asia allies on China", *Financial Times*, 11 March 2022, <https://www.ft.com/content/bcf45320-78f4-41d4-9ed3-668e29f5bdf5> (accessed May 27, 2022).



# Outlook

## AUSTRALIA'S THREAT PERCEPTION

Australia's perception of its strategic environment has changed dramatically in just a few years. China's military modernization and its aggressive behavior with neighboring countries – including interference in Australian politics – has considerably influenced the assessment of decision-makers in Canberra. The People's Liberation Army is fielding increasingly capable armament systems, including intercontinental ballistic missiles, that could reach the north of Australian territory if launched from the South China Sea islands where China has built military infrastructure.

HQ-9 surface to air missiles (SAM) systems and YJ-12B ground-launched anti-ship cruise missiles were deployed to several of the islands (Fiery Cross, Mischief, and Subi reefs, as well as Woody Island) in 2016-2018.<sup>102</sup> Such technological and geopolitical changes mean that Australia is no longer protected thanks to its geographical location alone. Instead, it is increasingly becoming a "frontline state" in potential conflicts arising in the Indo-Pacific. This has led Australia's armed forces to refocus on territorial defense and immediate regional interests, accompanied by an increase in military spending to fund their own modernization program.

This shift is embodied by the AUKUS announcement in September 2021, with which Australia stated its intention to procure nuclear-powered submarines from the United States or Britain instead of conventional diesel-electric submarines from France. AUKUS also means entering an even closer alliance with the United States, which agreed to share the technology for nuclear propulsion with Canberra, alongside cooperation in other advanced military technologies. Australia's intensifying defense efforts

and its defense diplomacy concerning cooperation formats such as the Quad can also be read as attempts to embed the US presence in Asia by demonstrating its own reliability as an ally.

The question of relations with China figured prominently in Australia's recent election campaign, with the Liberal Party trying to depict the Labor Party as pro-China, and conversely, Labor accusing the incumbent Liberal government of being overly militaristic.<sup>103</sup> Despite the campaign trail accusations, and even if the new Labor government lead by Anthony Albanese uses a less assertive tone in diplomatic relations with Beijing, it is unlikely to dramatically change course on Australia's approach to China's rise.<sup>104</sup>

## IMPLICATIONS FOR REGIONAL STABILITY

### Building a Credible Deterrence Against China

Australia's defense build-up should not in itself be viewed as a factor of destabilization in the region. Seen from Canberra, the 2016 DWP and 2020 DSU are a response to China's military modernization. Australia's ongoing major procurement programs, including within AUKUS, aim at building a sufficiently credible deterrence position to prevent other parties in the region from undertaking military action to achieve their goals.<sup>105</sup> This deterrence policy is not only pursued by way of strategic arms procurement but also by deepening defense cooperation with like-minded states. This approach, however, will require good diplomatic communication with Australia's neighbors. While Japan or India have expressed positive reactions to the AUKUS announcement, this was initially not the case for Indonesia and Malaysia. There is a risk, however, that Australia's defense policy shift could contribute to a security dilemma in the region.

### Non-Proliferation Concerns

AUKUS raises questions with regards to non-proliferation regimes. The Non-Proliferation Treaty allows for enriched uranium to be removed from the International Atomic Energy Agency inspections when in-

102 Center for Strategic and International Studies (CSIS), Asia Maritime Transparency Initiative, Chinese Power Projection Capabilities in the South China Sea, <https://amti.csis.org/chinese-power-projection> (accessed June 18, 2022).

103 "Australian government playing dangerous game over Taiwan – opposition", *Reuters*, November 23, 2021, <https://www.reuters.com/world/china/australian-government-playing-dangerous-game-over-taiwan-opposition-2021-11-23> (accessed May 27, 2022).

104 Nic Fildes and Demetri Sevastopulo, "Australia's 'khaki' election campaign centres on fears of China", *Financial Times*, May 18, 2022, <https://www.ft.com/content/f8e0026d-9963-404b-82b4-cf1a69469305> (accessed May 22, 2022).

105 Michael Shoebridge, "What is AUKUS and what is it not? How does it connect to the Quad, the Sydney Dialogue, ASEAN and Indo-Pacific security?", *Strategic Insight* 166, Australian Strategic Policy Institute, p.2, <https://ad-aspi.s3.ap-southeast-2.amazonaws.com/2021-12/What%20is%20AUKUS%20and%20what%20is%20it%20not.pdf?VersionId=uAcnyQeum5lvEJiJyXSRW5SubMT2AMlV> (accessed May 27, 2022).

tended for “a non-proscribed military activity,” which includes the propulsion of naval vessels. Australia, however, would be the first state to take advantage of this loophole. There are concerns that it may be setting a precedent and cause other states to use the same logic and engage in activities that can be exempted by safeguards. At a time when international laws and norms are increasingly contested and tested, this risk cannot be overlooked. As the United States and its allies proclaim their attachment to the international rules-based order, creating what could be perceived as a double standard may not send the right signal. Australia, however, is closely coordinating with the IAEA to build strong safeguards arrangements and ensure that AUKUS does not set a proliferation precedent.

#### The Consequences of Alliance Politics

The 2020 DSU refocuses Australia’s strategic interests on its neighborhood, which encompasses maritime Southeast Asia. While it expresses concerns about the militarization of the South China Sea, it does not mention Taiwan. Yet, the AUKUS announcement further tightens Australia’s alliance with the United States, which enhances Australia’s security but likely also comes with even deeper obligations. Compounded by the fact that Australia has been involved in all the United States’ major conflicts, this would likely mean that in a conflict over Taiwan, Australia would be called on to contribute to a possible US intervention. It is worth keeping in mind, however, that Australia’s nuclear-powered submarines will not be in service before 2040, while the US Department of Defense sees 2027 as the key date in China readying its military for a Taiwan contingency.<sup>106</sup> The best path of action, for Australia and other stakeholders, remains to engage in efforts to prevent such a conflict from happening. At the same time, they need to build a credible deterrence to back up their diplomatic efforts and safeguard Taiwan’s security. Much of this remains speculative, given that any scenario will depend on the conditions of an invasion and on reactions from other US allies, above all Japan.

## IMPLICATIONS FOR GERMANY AND EUROPE

The latest developments in Australian defense policy decisions should remind Europeans, if that was needed, that the United States is indisputably Australia’s most important ally, followed by Japan. European defense relationships will remain secondary for Australian defense policy thinking. AUKUS is also another reminder for Europe that the United States are looking toward the Indo-Pacific as the next theater of great power competition, notwithstanding Russia’s war against Ukraine. The United States may not be ready to put boots on the ground in Ukraine, but that does not mean that they will not do so in the event of a Chinese invasion of Taiwan. Since Australia – and Taiwan – have shown their support for Europe and Ukraine during this war, the favor will be expected to be returned if such a situation arises.

Overall, Australia remains a natural partner for Germany and Europe in the Indo-Pacific, sharing the same values and interests in maintaining the international rules-based order. As Germany’s former defense minister Annegret Kramp-Karrenbauer put it, Australia is a “rock of stability” in Asia.<sup>107</sup> Hence, the Europeans should not perceive Australia’s defense policy shift and associated major weapons procurement projects as destabilizing for the region but rather as offering additional areas of cooperation where they can engage with a like-minded partner.

<sup>106</sup> United States Department of Defense, “Military and Security Developments Involving the People’s Republic of China 2021”, Annual Report to Congress, November 2021, <https://media.defense.gov/2021/Nov/03/2002885874/-1/-1/0/2021-CMPR-FINAL.PDF>, p.V; See also: Adam Mount and Van Jackson, “Biden Shouldn’t Count on the Submarine Deal to Best China”, *New York Times*, September 30, 2021, <https://cn.nytimes.com/opinion/20210930/aukus-china-us-australia-competition/zh-hant/dual/>. There are rumours however, that the RAN “may be offered a nuclear-powered boat to use through the 2030s” (Brendan Nicholson, Australia considering next-generation US and UK designs for nuclear submarines”, Australian Strategic Policy Institute, May 10, 2022, <https://www.aspistrategist.org.au/australia-considering-next-generation-us-and-uk-designs-for-nuclear-submarines/>) (all accessed May 27, 2022).

<sup>107</sup> Brendan Nicholson, “Germany plans a greater peace and security role in the Indo-Pacific”, Australian Strategic Policy Institute, November 6, 2020, <https://www.aspistrategist.org.au/germany-plans-a-greater-peace-and-security-role-in-the-indo-pacific/> (accessed May 27, 2022).

# Policy Recommendations

How can countries possessing only conventional capabilities deter a coercive great power? The parallels between Russia's war against Ukraine and a potential conflict in the Indo-Pacific have already been drawn elsewhere. Europe and Australia face somewhat similar challenges. The discussions on making the best use of conventional deterrence should involve diplomats, the military, or both. Some of these discussions could also take place in the framework of the NATO-Australia partnership. That would seem all the more appropriate as NATO stepped up its dialogue with Australia, Japan, New Zealand and South Korea in June 2022. The discussions should progress through three stages:

**Deterrence:** Both sides should discuss conventional deterrence, with the Europeans sharing the lessons they have learned over Russia's invasion of Ukraine. Such exchanges – with subsequent operationalization of the results – would contribute to reinforcing the sense of common purpose between Europe and Australia. In parallel, both sides should envisage stabilizing initiatives such as engaging with ASEAN and non-Western allies in the region. Europe can support Australian renewed efforts in this domain.

**Triggers:** As China is using threshold warfare tactics to advance its interests in Indo-Pacific, the question as to what would trigger a response from other stakeholders is becoming increasingly difficult. Such threshold/grey zone warfare is destabilizing as it pushes the boundaries of what is acceptable further and further. Europeans and Australians could jointly work on scenarios to define what events would be likely to trigger their engagement in a conflict and how they would react.

**Outbreak:** The third stage of discussions between Europe and Australia could focus on organizing joint tabletop/wargaming exercises. These would be based on scenarios detailing the outbreak of a conflict in the South China Sea. In a scenario illustrating an invasion of Taiwan, both sides should concentrate on their respective reactions and on ways to cooperate.

Other possible areas for further engagement and cooperation should address the strategic importance of South Pacific states, a topic that the new Labor government in Canberra takes very seriously. Given that Australia has a unique understanding and partnerships with South Pacific states, it could contribute to raising awareness in Europe of the strategic importance of these relationships. So far, their small size and remote location – as viewed from Europe – have frequently put them under the radar.

Progress on the South Pacific could also help mend fences between Paris and Canberra, given France's particular geographic position and interest in the South Pacific. While the reconciliation process has begun after Australia paid Naval Group the cancellation fee for the Attack-class submarine deal,<sup>108</sup> more could be done to swiftly mend the bilateral relations between France and Australia. The spat weakened the European Union's Indo-Pacific strategy as France, one of the most militarily capable states in Europe, was one of the driving states behind this policy document.

Germany and other EU member states should help the reconciliation between Paris and Canberra by looking to develop military cooperation initiatives that do not revolve around defense industrial contracts (e.g., exercises, training, knowledge-sharing). They could possibly use existing EU frameworks to bring Paris and Canberra to the same table on these topics.

Another issue for cooperation with Paris would be engagement on nuclear non-proliferation. This could also be done via the International Atomic Energy Agency, as Australia is currently seeking to step up its nuclear safety know-how and train up a new generation of skilled personnel in this area. French engagement would be particularly useful since France is the only EU country operating nuclear-powered submarines.

<sup>108</sup> Brett Miller and Tara Patel, "Australia Resets France Ties With Failed Subs Deal Payment", *Bloomberg*, June 11, 2022, <https://www.bloomberg.com/news/articles/2022-06-11/australia-reaches-579-million-settlement-with-naval-group> (accessed June 19, 2022).



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