

Asia Rising Podcast

Why Australia will buy Submarines from Japan

Matt Smith

Welcome to Asia Rising, a podcast of La Trobe Asia where we discuss the news, views and general happenings of Asian states and societies. I'm your host Matt Smith and Australia's Turnbull government has released a new defence white paper. As well as 5,000 troops and increased spending, this affirmation of the purchase of twelve new submarines.

There have been previous indications of these will come from Japan, but much has changed in both domestic and international politics in this time. Here to explain why we aren't all living in a red and blue submarine is Nick Bisley, Executive Director of La Trobe Asia. Welcome Nick.

Professor Nick Bisley

Hi Matt.

Matt Smith

Nick, why are we now uncertain as to where our submarines could come from?

Nick Bisley

If we wind the clock back, 2009 was the first time the government came out and said we are going to have new submarines and we're going to have a dozen of them.

Matt Smith

Was that three or four prime ministers ago?

Nick Bisley

I think its five.

Matt Smith

Wow.

Nick Bisley

If you can keep count, Kevin Rudd 1.0, so the first iteration of his prime ministership, white paper comes out and says, 'It's a big bad dangerous world out there, the Chinese are on the march and we need more kit that can go further and punch harder than we had in the past.' And then within months of issuing this thing said, 'Oh there's not much money for it' and it all sort of fell away.

The Gillard government produced the white paper in 2013 saying 'Yes, we need subs, but the world's not quite so dangerous as it was and there's no way in hell we'll have money for them.' Then they were voted out.

Abbott came in, made very clear from pretty much day one that spending is going to go back up for defence, lines that were used actually in the election although it didn't get a lot of press because it's not the sort of thing that does, but you know Labour always cuts defence and the Coalition can be trusted to keep the nation safe by spending more in defence. The underlying argument that we needed a dozen more submarines, that they needed to be able to go a long way, a lot further than the current crop of submarines could go, and made very little secret of the fact that he basically saw Japan as the place we would be going to buy them.

And indeed I'd heard around the traps that the decision was essentially made and that there was

going to be an announcement in March 2015. The problem was in February 2015 the Liberal Party Room said, 'Mr Abbott, we're not so sure about your prime ministership,' so this was the first leadership spill. And as part of his effort to shore-up support in the party room, because he had these South Australians wavering, because the Collins Class submarines are made by the Australian Submarine Corporation which is based in South Australia saying look, 'If you don't make some commitment that I can take to my electorate, I'm not going to vote for you.'

They then introduced this rather nebulous thing called the 'competitive evaluation process' and if you go online you can see some fairly excruciating footage of then Defence Minister Kevin Andrews trying to explain what it was because, he clearly didn't know what it was, they hadn't worked out what it was. But, essentially they kind of said, 'we're going to have a sort of tendering process', they didn't quite want to say it's an open tender, submarines being what they are, it's not like tendering out for a fleet of trucks, but it meant that the door was open.

Matt Smith

It meant that Australia could potentially make these?

Nick Bisley

It meant that the Australian Submarine Corporation's in the game and the previous Defence Minister David Johnston was famous for saying "I wouldn't trust them to build a canoe, let alone a submarine." Which did not endear him well to the corporation, but it meant also that the Japanese now were in competition and the European manufacturers, Swedish, German and Spanish manufacturers, could all of a sudden be part of the process.

So the defence white papers just landed on the desk with a thud and it says, 'guess what, we're going to spend lots of money on defence, we're going to buy twelve new subs, we'll make a decision this year and that's it.'

Matt Smith

So July the decision is due?

Nick Bisley

Yeah, I mean it's a defence procurement decision of multiple billions of dollars, they don't take things like deadlines particularly seriously, but I'd be pretty surprised if we didn't have a decision by the end of the year.

Matt Smith

Yeah, so if cost wasn't a factor in this, because clearly the price of the submarine is going to be up to it, but what political factors could weigh-in on getting submarines from who?

Nick Bisley

Ok, so there's a few different things that will play in the minds of making the decision. First there's the operational requirements, what do you want it to do? How far does it go? How big is it? How much kit can it carry in terms of missiles and listening surveillance stuff, and can the people who are making their bids, can they deliver on what they want?

What "economic benefits" do you want to produce, ie., where is it going to be made? Do you want to just buy something off the shelf that's made abroad, do you want the whole thing made here? Do you want some combination? And there's the what political benefits costs do you get from acquiring the subs from one country or the other and of course this is where we've seen a lot of debate in Australia turn where Japan is seen as politically a lot more (depending on your point

of view) contentious/good, compared with say the Germans or the Spanish or the Swedish.

Matt Smith

So it becomes a bit of a balancing project at this point so it might be politically dicey to get it from Japan but if you want to go the stereotypical route, but there's probably a lot of truth in that – good technology?

Nick Bisley

Yeah, and there's also an operational argument they make which is to say, the submarine that they currently build, the Australian version would be slightly larger version than that but they can say "look, this thing is essentially what you're buying, you know we make it." Whereas the European one they are going to have to seriously adjust them. The French one for example, is going to be a re-tooled nuclear powered sub and that's a pretty seriously re-engineering. The German one's very small and it needs to be made much bigger, so operationally this is the closest to what you want.

And of course the politics of it, (again depending on your point of view) is one pro-China argument that has been brought forward is this is going to irritate the Chinese no end, this is going to inflame relations with China, it's going to tie us into a relationship with Japan which is going to bind our hands in terms of how we relate to China/Japan/US over the next twenty to thirty years.

And then the converse argument that the Europeans make is to say, "it's a cash sale, all you're doing is buying a sub and we'll service it and that sort of stuff, but there's no expectations of buying into a bigger geo-political argument."

Matt Smith

It's just a submarine, it's just a commodity at that point.

Nick Bisley

It's like buying a Volkswagen.

Matt Smith

Mmm.

Nick Bisley

You buy one or you're buying a lot of them but that's it. The balancing act the government has to make is between that operational/economic and political calculus and up until the competitive evaluation process, it wasn't – it was, well we're going to buy these Japanese ones.

Matt Smith

Well two questions come to mind here. One - is a closer relationship with Japan such a bad thing that buying these submarines from them would deliver? Two – would it actually deliver a closer relationship? And I guess actually three – is China even concerned or bothered where we get our submarines from?

Nick Bisley

Yeah, I think the last one's probably the easiest to answer because the Chinese foreign minister said last week to the Australian foreign minister, "We don't care where you buy your submarines from because you're buying twelve of them and that doesn't matter for us, from a Chinese point of view," they're so big....

Matt Smith

Have we shown you our shiny missiles?

Nick Bisley

Yeah, have we shown you our 1.7 million person Peoples Liberation Army? We tend to be a narcissistic and forget that objectively a dozen submarines: best case scenario you're going to be able to have two-thirds out in the sea at once, more likely you'll have one third out, one third resting, one third being serviced. So you'll have four of them out at sea at any one time, that's not changing anyone's strategic balance.

The Chinese objectively don't care about where we buy the subs, what the Chinese don't like (and this is the more important point), is the development of a co-strategic relationship with the Japan which is becoming a more significant military player in the region. That's something that makes China uneasy and not so much because of us, (and what we do in and of itself), but because we're seen as an enabler of a country with which China is uneasy and I think probably rightly China sees as one of the principle challenges to China's long term strategic ambition.

So that China's on the rise militarily and economically. If its ambitions can be realised it's going to come at the cost of US influence. US doesn't want to have its influence in Asia reduced and sees (probably rightly) makes the judgement that there's probably one way in which China's influence can be curtailed and that is if Japan who is the third largest economy can behave like France or Britain.

Matt Smith

Mmm.

Nick Bisley

That's to say, be an independent military power that's got a pretty serious geo-strategical footprint and is an ally of the United States. And guess what, Australia is sitting down here at the bottom half of the hemisphere going "That's what we like too, because we know the kind of world we want in that the US dominates East Asia, can only be sustained by having a strong Japan."

And so we've been developing this close relationship and where I think critics of the Japan option probably get it wrong is to say, buying in the subs will create a close relationship, I don't actually think that's the case, I think we've already created a close relationship with Japan from which is going to follow the purchase of the submarines.

Matt Smith

Another thing that the defence white paper cited out is that we're going to have a decreased regional engagement, whatever that consists of. Whether we're going to send out new shiny submarines into the South China Seas just to do a bit of a patrol, how do you think this is going to weigh into it?

Nick Bisley

There's a few things, the government is trying I think, and has been for a little while, (trying to have its cake and eat it) and we've been developing for ten years a very close relationship with the Japan that is becoming more confident and more outwardly focussed to constitutionally do more in the region. Meanwhile we're trying to say "Oh so let's have good relationships with everyone" and that's a challenge and it's difficult to do to say, we will maintain a high quality relationship with not just Japan but also South Korea and China and the Asian/South East Asian countries and the United States and India. That's difficult for a country of our size, but possible and manageable.

There's this huge range of multilateral meetings and forums, APEC – East Asia Summit where they all come together and generally talk – not a great deal else, but can help provide the sense of a broad based regional engagement that can try to offset some of the destabilising factors that might come from say, we're hitching our wagon militarily to the Japanese and the Americans.

The government rightly is going to do that, the problem is I think that's a short term management of some decision making that can potentially lead us to overlooking or forgetting there are these bigger consequences. At some point in the future, particularly if there's tension between Japan and China particularly if that tension becomes very, very hot. Most obviously the islands in the East China Sea which the two countries both claim, then the kind of, 'we've been making nice with you at talk fests and you've been buying a lot of our iron ore and we've been buying out consumer durables,' that's not going to count for a great deal. And so I think there's a sort of sense of a diplomatic dance that we're going through.

Matt Smith

Whereas China is Australia's biggest trade partner. I think for China, Australia is about ninth.

Nick Bisley

Or worse, no further down. I think we're about tenth or thirteenth. No it's a very asymmetrical relationship as most countries are. The only one that's got anything vaguely like a symmetrical relationship is the US and China, only because China is so damned big. I think when I last counted there's 129 countries in the world for whom China is their number one trading partner and so heavily tilted in China's favour, just because of its size and scale.

Matt Smith

Yeah.

Nick Bisley

I think in the past there's tended to be the view that you had this scare story that we depend so much on China's economy for our wellbeing. We can't say anything that will annoy them, and we've tiptoe carefully around this scary dragon. In the past that's been pretty simplistic because, in many respects China buys stuff from us because they have to, they don't buy it because they like us or dislike us, it's got nothing to do with it. It's a commercial proposition – they need the things we sell principally iron ore (two thirds of what we sell is iron ore). They need it to build bridges, to build roads and all that sort of thing.

If they don't want to buy our iron ore they have to buy it from someone else and its either more expensive or poorer quality, so the extent to use economic leverage over us has not in the past been that strong. Where we're headed though, is a more complex relationship and particularly where there's investment and that's when, once you have multiple forms of economic engagement the ability to exert leverage goes up, you're mutual dependence increases (because I think at the moment we have an important trading relationship. Its dependant in one sense because there's a lot of revenue going back and forth but it's pretty one dimensional. It's when you get this multiple dimensions that things start to become rather more complex.

There is a way in which China could exert economic influence over Australia at no real cost to itself, and that's in students. So the third or fourth (depending on exactly how you count it), export that Australia sells to China is education. It's about the same dollar value as coal. And if China said to all those outgoing students, whether they are high school students, vocational students, university students, if they said to them "You can't go to Australia it's a dangerous place, it's very dangerous, you're going to have to go somewhere else," then they would all stop coming. And universities where you and I work and many other institutions in Australia would find life very

difficult. But it's really the only area at the moment where I think that vulnerability exists.

Matt Smith

Come six month's time, assuming there isn't another delay, or postponement or another prime minister, where do you think we'll be getting our submarines from? Do you believe it's a lock for Japan?

Nick Bisley

Yeah I think it is, I think it's a lock, because of the mix of factors outlined. I mean the first and foremost is that we've made this big strategic commitment to Japan based on this big view about where the regions heading. And it's bipartisan in support, the coalition is more vocal about it but both sides really think this is a good idea, certainly very deeply entrenched in the bureaucracy and that plus the operational side of things, (the Japanese subs are the most similar to ours) would tilt the balance very heavily in their favour.

And the Japanese are also saying they're now open to doing some part of the construction process in Australia, so the government will be able to present a package that says; "we've got jobs, we've got something we want and we've got this friend in Japan." And together I think my view makes that overwhelmingly the choice that's made. So if you want to put money down on the 'J Option', you heard it here first.

Matt Smith

That's it today for the Asia Rising podcast. It's goodbye from Nick Bisley, Executive Director of La Trobe Asia.

Nick Bisley

Goodbye.

Matt Smith

It's goodbye from myself Matt Smith, goodbye.

Matt Smith

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