

Contemporary Australian-Japanese Defence Export Policy

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現代の日豪防衛輸出政策

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Abstract :

Steadily growing Australia-Japan security cooperation may soon increase. More joint training has followed past Australian Defence Force and Japanese Self Defense Force cooperation in Peacekeeping Operations. Since 2002, the Trilateral Strategic Dialogue (TSD) between the US, Japan and Australia has held regular '2+2' meetings of Foreign and Defence ministers ; which could potentially become a formal joint military alliance in future. Prime Minister Tony Abbott visited Japan in April 2014, successfully concluding an Economic Partnership Agreement (EPA), and a Defense Technology Cooperation Agreement. Australia may therefore now purchase *Soryu*-class submarines from Japan. Prime Minister Shinzo Abe's LDP government has now also 'reinterpreted' the Japanese Constitution to allow 'collective self-defence' with allies — which could include Australia.

要旨：日豪安全保障協力は増々増えている。日本とオーストラリアの平和維持活動以降も日豪合同演習が続いている。2002年以来、「日米豪戦略対話」(TSD)は定期的に閣僚級「2+2」会合を開催してきた。これは、将来的には公式の合同軍事同盟になる可能性がある。2014年4月に日本を訪問したトニー・アボット首相は「経済連携協定」(EPA)と「防衛装備品及び技術の移転に関する日本国政府とオーストラリア政府との間の協定」を締結した。そのため、オーストラリアは日本のそうりゅう型潜水艦を購入するかもしれない。安倍首相の自民党政府は日本国憲法を再解釈し、同盟国との集団的自衛を可能にした。この同盟国には豪州も含まれる可能性がある。

Key words : Japanese defence policy, Australian politics, Asia-Pacific geopolitics

Introduction

The Abbott Liberal-National Party (LNP) Coalition government of Australia is currently in search of a replacement for the troubled Collins-class conventional submarine fleet of the Royal Australian Navy (RAN). Coincidentally, defence ties between Australia and Japan have become ever closer in recent times, particularly under the respective conservative governments of Prime Ministers Tony Abbott and Shinzo Abe. Following the signing of a Defence Technology Sharing Agreement last July, there is an increasing prospect that Japanese *Soryu*-class submarines may be exported to Aus-

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tralia in future.

The defence technology sharing accord between Australia and Japan complements the Free Trade Agreement (FTA) also recently secured between the two countries, demonstrating their deepening trade and security relations. The sale of *Soryu* submarines to Australia would be the first major combat weapons systems export for Japan in its postwar history, as the Abe Liberal Democratic Party (LDP) government eases the restrictions on defence exports maintained by previous Japanese governments. These moves also complement the decision by the Abe Cabinet to reinterpret Japan's constitution, to allow its Self Defense Forces (SDF) to engage in collective self-defence actions with friendly states, which would certainly include Australia.

Buying submarines from Japan would be the single most expensive military procurement in Australian history, and break an election promise to continue the manufacture of submarines in Australia. If it goes ahead, this decision will have important implications for the domestic politics of both countries, and for the strategic geopolitics of the region.

Australia-Japan Security Cooperation

The election of the Abbott LNP Coalition government in 2013 has seen a major policy shift in the replacement process for the Collins, with the prospect of submarines being bought directly from Japan emerging as the most likely option to be pursued. This potential development has emerged as part of the growing trend of closer defence and security cooperation between Japan and Australia in recent times, a generally bipartisan policy which has been boosted even further by the Abbott government.

Following the beginning of cooperation between Australia and Japan in United Nations Peacekeeping Operations in the 1990s, the Trilateral Strategic Dialogue (TSD) talks between Japan, Australia, and their mutual core ally the US were first held at the senior official level in 2002. This was upgraded to ministerial level TSD meetings in 2006, and leaders' meetings from 2009. The Japan-Australia Joint Declaration on Security Cooperation (JDSC) was then signed in March 2007, followed by regular '2+2' talks between defence and foreign ministers (Walton, 2012 : 22–23). The Acquisition and Cross-Servicing Agreement (ACSA) was signed between Australia and Japan in May 2010, further increasing the level of defence and security cooperation, which by this stage included regular joint military exchanges and exercises, particularly in maritime operations (Tow, 2012 : 152). The Information Security Agreement (ISA) followed in May 2012, upgrading intelligence sharing and cooperation between the two countries (Anno, 2012 : 53–54).

Diplomatic, trade and security ties between Australia and Japan then deepened ever further, following the election of conservative governments in both countries : Shinzo Abe returned as Prime Minister in December 2012, leading the LDP, and Tony Abbott in Australia from September 2013. Abbott's visit to Japan in April 2014 finally saw the conclusion of a Free Trade Agreement (FTA), the Japan-Australia Economic Partnership Agreement (EPA), which saw a partial reduction in a range of tariffs. The EPA was complemented by a concurrent Defence Technology Sharing Treaty, confirmed during Abe's reciprocal visit to Australia in July 2014 (DFAT, 2014).

***Soryus* For Australia?**

The way has therefore been opened up to potentially allow Australia to purchase Japanese military

equipment, including Japan's latest model submarine, the *Soryu* class. The *Soryu* (*Blue Dragon*) is considered one of the most advanced conventional boats in the world, with five in service with the Japanese Maritime Self-Defense Force (MSDF) since 2009, and five more planned (out of a total submarine fleet of 18 boats). It has a complement of 65, with its range and endurance still classified, but estimated to be greater than that of the *Collins*. The lithium-ion battery-driven propulsion system is of particularly exceptional pioneering quality, allowing a greater operational range than standardised diesel-electric propulsion. The *Soryu* is jointly manufactured by Mitsubishi Heavy Industries and Kawakase Shipbuilding Corporation in Kobe (Ryan, 2012 : 27–28).

Should the Coalition government proceed with the purchase of the *Soryu*, this would break a 2013 election campaign promise, made by then Defence spokesperson Senator David Johnston, that submarines would continue to be constructed in Australia. Upon election, the Abbott LNP government stated that the decision on which model to replace the *Collins* could take up to 18 months, and has so far yet to be confirmed (Barns-Jenkins, 2014). As well as the *Soryu*, potential tenders for local construction by the Australian Submarine Corporation (ASC) could possibly come for European models, from Sweden, France, Germany or Spain. The 'nuclear option', of purchasing American nuclear-powered submarines is not really viable, despite the strategic advantages this could bring ; apart from the expense of purchase, maintenance would have to be done in the US, given the lack of facilities to service nuclear reactors in Australia. Overshadowing these obstacles, having nuclear submarines in the RAN's fleet would be too politically controversial (Radford, 2013).

The purchase of Japanese submarines would probably be the cheapest option, estimated at around \$20 billion, instead of potentially up to \$36 billion, if an overseas tender is locally constructed ; even so, it would still be the most expensive single military purchase in Australian history. Japan therefore remains the mostly likely favoured option for the Abbott government, for economic, as well as geostrategic and alliance reasons (Herman, 2014). Any decision to purchase submarines directly from Japan, instead of producing them locally, would confirm the trend of the overall decline in Australian manufacturing, with subsequent job losses ; an inevitable development without ongoing government subsidies. The ASC would then have to shift to maintenance, and surface warship construction, to remain viable. The question remains whether the domestic shipbuilding industry of Australia is ultimately economically unviable in the long-term, as has proved the case with the (multinational-owned) car industry (Cowan, 2014).

Domestic Australian Political Implications

An inquiry into the prospective Japanese submarine purchase was held by the Australian Senate in October–November 2014, hearing statements from various interested parties. The ASC claimed that overseas sourcing of submarines would be an overall economic loss to Australia's GDP in the long term, eventually undermining any short-term savings that might otherwise be made. The majority report, made by non-Government Senators, ultimately recommended that submarine construction remain in Australia, after a competitive tender process. The dissident minority report, by government Senators, called to keep the *Soryu* option open (Senate, 2014 : 34–35, 81–84).

The Japanese option has thus always been strongly resisted by the Federal Opposition's Australian Labor Party (ALP), and its traditional support base in the trade union movement, particularly the Australian Manufacturing Workers' Union (AMWU), whose members are most numerous em-

ployed by the ASC. Reflecting the divisions this issue has opened up within the Coalition, Liberal MPs based in South Australia have also been pressing for the Australian option to be pursued, citing the benefits that infrastructure investment will deliver in the long-term, offsetting higher initial construction costs compared to a direct overseas purchase. Also, local servicing would provide greater strategic security, reducing dependence on offshore supply and maintenance (Siegel, 2014).

For his part, Prime Minister Abbott has stated that he wants the ‘very best’ submarines, ‘at the best possible price’, where the country of origin should not have priority over quality and cost ; indicating favouritism towards Japan. This favourable direction was given further weight during a visit to Japan by then Defence Minister Senator David Johnston in October 2014, where a formal request was made for Japan to cooperate with Australia on a range of military technology, potentially including submarines. Previous Japanese Defense Minister Akinori Eto reciprocated this request, claiming that Japan wished to proceed further in deepening its overall defence and security cooperation with Australia, as it was a ‘special relationship’, needing ‘special support’, effectively designating Australia a ‘quasi-ally’ of Japan (Carney, 2014). Following this trip, Johnston said there was no progress on overseas tenders for locally produced submarines, indicating that the release of the next Defence White Paper due in 2015 would confirm the decision for the *Collins*’ replacement. However, Johnston’s position was severely weakened after making a gaffe during a Senate Question Time, when he declared he would not trust the ASC ‘to build a canoe’! (Norman, 2014)

While Johnston quickly apologised for this statement, claiming it was merely a ‘rhetorical flourish’, it was a likely contributing factor towards a defeat for the Coalition in a by-election for the South Australian parliament soon after ; this result secured majority State government for the ALP. Johnston was further undermined by admissions he had not attended meetings of the National Security Committee, as he ‘had nothing to offer’. Details were also leaked of expensive dining bills incurred by his office at taxpayers’ expense, while the Abbott government was pledging deep cuts to the Federal budget, including subinflationary increases to the real wage levels of Australian Defence Force personnel (a decision later overturned, under pressure from the public and minority party Senators) (Taylor, 2014).

Pressure on the Abbott government has particularly come from South Australian Independent Senator Nick Xenophon, who is demanding an open tender to ensure local production of European models. Xenophon has effectively accused Abbott of already making a deal with Abe, which would be a violation of the open tender process, as well as breaking the 2013 election promise guaranteeing local production of submarines (Kerin, 2014). Treasurer Joe Hockey has declared an open tender will not happen, because there is ‘no time’ ; a remarkable statement, given how tenders are usually such a long, drawn-out and carefully-considered process. Hockey’s claim for the necessity of a truncated tender decision has been contradicted by the AMWU, the Australian Industry Group (the major manufacturing industry lobby group), and other defence industry commentators. In order to buttress their case for local production, they have raised doubts that the larger *Soryu* is not the most suitable for Australian conditions, with the smaller European boats being more preferable for the continuing mission of the RAN’s Submarine Service ; maintaining an interdiction capacity in the approaches to Australia’s sea lanes, and covert reconnaissance and intelligence gathering in Southeast Asian waters. European manufacturers have also maintained their tenders would be price competitive with the Japanese (APDR, 2014).

Being consistently behind in opinion polls, particularly after the poorly-received and unpopular Federal budget, in an attempt at a political circuitbreaker, Abbott carried out his first Cabinet reshuffle on December 21, 2014. Johnston was unsurprisingly dumped, given his poor handling of the submarine issue, and his lacklustre performance overall, ending his ministerial career. Former Social Security Minister Kevin Andrews now holds the Defence portfolio ; considered a hard-right social conservative, Andrews has already made an embarrassing start, with revelations of past admissions he had ‘no interest’ in defence affairs (Aston, 2014).

The appointment of Andrews as Defence Minister is not likely to change the preference for Japan to supply submarines, as the process is generally considered as being driven by the Prime Minister’s Office, with Prime Minister Abbott having a close interest in continuing to deepen Australia’s security relationship with Japan, aided by his personal friendship with Prime Minister Abe (Woodley, 2014). The Japanese Defense Ministry is believed to be hoping to improve the success of its bid by proposing joint production with Australia : Japan would manufacture the hull and other major components, while production of secondary parts, assembly and maintenance would proceed in Australia. Joint research and development of advanced hydrodynamic technology would also serve to sweeten the deal (Mainichi, 2015).

The Labor Opposition is likely to continue to try to block any decision to purchase the *Soryu*, by legislative means if possible. Labor has so far used the Senate’s processes to attempt to force the government to accept an open tender. If the ALP and the minor parties and Independents are able to legislate for a tender in the Senate, Abbott might then be forced to resubmit legislation in the Lower House of Representatives, in order to continue with a truncated tender process which could quickly allow the *Soryu* purchase to go ahead. Should the ALP return to government following national elections due in 2016, Labor would also likely break any contracted agreement the Abbott LNP government makes with Japan. This political uncertainty could be enough to put the *Soryu* purchase in doubt (News Ltd, 2014).

Political Implications for Japan and the Region

The potential sale of *Soryus* to Australia also has great significance for Japanese politics and foreign policy. Securing the sale would be the first postwar export of a major combat weapons system by Japan, confirming its shift towards a more active role in international security affairs. The long-held ‘Three Principles’ restrictions on military exports, self-imposed due to the pacifist Article 9 clause of the constitution, started to ease under the previous Democratic Party of Japan government ; these have further loosened under Abe’s LDP government. Sales of defence equipment, particularly technology transfers such as advanced sensors and communication components, have already been made to the US and UK (BBC, 2014). After decades of supplying the SDF as their sole customer, Japanese weapons manufacturers have been longing to expand their share of the global arms market (McNeill, 2014).

Easing defence exports is merely part of Shinzo Abe’s overall direction towards allowing more active deployment of the SDF. His avowed policy of reinterpreting the constitution to allow Japan to participate in collective self-defence with allied countries has already been approved by Cabinet, and has been claimed as part of the LDP’s ruling mandate, re-confirmed by winning the early snap election recently held on December 14, 2014. However, public opinion in Japan remains dubious about

proceeding down such a path of an expanded overseas role for the SDF, and also about any related increase in military exports (Mainichi, 2014). This more assertive Japanese defence and foreign policy is firmly supported by Japan's primary ally (and mutual ally of Australia) the US, which is encouraging the sale of *Soryus* to Australia. Such cooperation has already been seen in development and servicing agreements for the multi-national F-35 Joint Strike Fighter (JSF) project (despite concerns over the JSF's cost overruns and capability), confirmed in the latest leaders' meeting of the TSD, on the sidelines of the last G20 Leaders' Summit in Brisbane (Nikkei, 2014).

Closer security ties between Australia and Japan complements the American goal of a 'pivot' of the majority of its armed forces being deployed to the Asia-Pacific region, to ensure ongoing regional hegemony, a situation causing increasing strategic concern for China. Choosing Japanese submarines without going to tender could potentially further alienate relations with China, being a clear signal of the intensifying favouritism towards Japan under the Abbott government (Taylor, 2015). There are also concerns that Japan's potential entry into the international market for advanced weapons systems will only fuel the increasing conventional arms race under way in the Asia-Pacific region (Bateman, 2011 : 73–77).

From the perspective of Japan and its security partners, the US and Australia, and ASEAN states such as the Philippines, Singapore and Vietnam, an expanding SDF and Japanese defence export industry would contribute to countering the rapid military buildup of China's People's Liberation Army, whose Naval branch includes a 71-strong submarine fleet. North Korea has also launched its first ballistic missile submarine, raising fears about escalating proliferation of its nuclear weapons (Business Spectator, 2014). These developments are all worryingly emerging at a time when Russia and the US seem to be falling back into a dangerous level of strategic competition between their fleets of cruise-missile-armed nuclear submarines, analogous to the tensions of the Cold War (Borger, 2015).

Conclusions

The potential export of Japanese submarines to Australia therefore has extremely important implications, for Australian and Japanese domestic politics, as well as for strategic stability in the Asia-Pacific region as a whole. If it goes ahead, the sale of *Soryus* to Australia would be first major weapons systems export from Japan since the Second World War. Such a move is defended by allies of Japan, particularly the US and Australia, as improving general security cooperation and the interoperable capabilities of their armed forces, which will deliver greater regional security overall. Increasing this level of interservice cooperation could even become a preliminary step to the formation of a formal trilateral military alliance between the three countries. However, this view discounts the potential for an escalating arms race ultimately undermining the peace and stability of the Asia-Pacific. It also raises important questions over the political integrity of the Abe and Abbott governments, if they proceed with a defence procurement policy which clearly violates the wishes of their respective electorates, and undermines the general public interest.

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