Underneath the Radar: Australian technology and Taiwanese submarines?

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Keywords: Australia, Taiwan, submarines, the United States

Abstract

Lost amidst the hype surrounding the prospects of Australian uranium sales to China, India and Taiwan has been the possibility of indirect Australian involvement in the construction of submarines for Taiwan. With only four aging submarines currently in service Taiwan is badly in need of reviving its fleet. Although some hawkers canvassed the possibility of the Australian Submarine Corporation (ASC) exporting its Type 471 Collins submarines to Taiwan in the

1 Paper presented to the conference on Free Trade Agreements in the Asia Pacific Flinders University 10 July 2006.
early 1990s this was never a realistic option. Given Australia’s endeavours to maintain positive relations with China, diplomacy deemed arms sales to Taiwan irrational. Yet the story does not end there. It is instead rerouted through the United States. In this study, the Howard government’s interest in increasing the intimacy of its defence connections with the US over the past ten years now abrade against its new found interest in commercial relations with China. Ultimately, what this narrative speaks to is the sometimes delicate nature for governments of the connections between trade and security and in particular the place of arms procurement in this nexus.

Australian technology and US involvement

In the late 1990s the Howard government sought increasing US assistance in solving perceived problems with the combat system for the Collins class submarines. These submarines, constructed in Adelaide on a greenfield site from a Swedish design, had encountered a plethora of well documented problems. Many of these problems were not unusual to large international infrastructure projects of this complexity and many were similar to those experienced by both the British and US navies in the design and implementation of their submarine combat systems. The problems of the British Upholder and US Seawolf submarine projects remain as typical examples of the difficulties. The British provision of the Victoria class submarines for the Canadian Navy has encountered significant cost overruns and delays in project delivery. It is no surprise either, that the People’s Republic of China (PRC) has stumbled over a range of problems in both maintaining and upgrading its submarine programme. While the Type 094-class submarine programme, the next generation of nuclear ballistic missile submarines (SSBN), will significantly boost the PRC’s sea based deterrence it has also suffered a number of construction problems since the project inception in the 1980s.

In Australia, despite the ASC’s belief that the problems with the Collins project were manageable and the recommendation from independent advisers that the government purchase military off the shelf (MOTS) equipment, the government decided to engage the American arms supplier, Raytheon, to provide a new

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combat system. Despite considerable setbacks with the delivery of the original combat system,\(^6\) initially contracted to Rockwell International, the government decided to persist with an untried design modified from that of the US nuclear boats, albeit from a successful supplier to the nuclear fleet.\(^7\) Part of the thinking here for the Australian government was that the combat system supplied by the US contractors would be compatible with US fleet technology.\(^9\) However, despite an extended invitation to US companies Northrup Grumman and General Dynamics, British Aerospace and the Australians, ADI and Tenix, to participate in a funded study to explore options for the purchase of ASC, none pursued their options. To date the ASC remains in the government’s hands.

Of interest in this study, nonetheless, is the role played by General Dynamics after the cessation of the ASC sale process in 2000. The General Dynamics’ subsidiary Electric Boat with its shipyards in Groton Connecticut, is one of two constructors of US nuclear submarines: the second being Newport News, the Northrup Grumman submarine arm in Virginia. While one of the options for Electric Boat was to purchase up to a forty per cent stake in ASC, it decided against the purchase of any stakeholding.\(^10\) Nevertheless, after a scoping study that determined where Electric Boat could contribute to ASC capabilities,\(^11\) the company was dedicated as a capability partner with specialist project management and ongoing technology.

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\(^6\) Most problems originated with the Tactical Data Handling System for the Collins.


\(^8\) Rear Admiral Peter Briggs, interview with the Senate Estimates Committee, Foreign Affairs, Defence and Trade, Hansard transcript, Parliament House, Canberra, 3 May 2000, p. 72.


maintenance responsibilities.\textsuperscript{12}

To many analysts of the submarine industry it was of little surprise that the US company declined to take up a stake in the ASC. First, while it was an experienced and successful contractor for the US Navy, it had minimal experience with conventional diesel electric submarine design and production. Second, it was unable to locate an appropriate Australian partner. Australia's Tenix remained a private company and the presence of ADI's French partner, Thales, reignited the technology protection and transfer issue.\textsuperscript{13} Third, at the time there remained an unresolved intellectual property dispute with the Swedish designers Kockums over the propeller technology. Fourth, it surmised and proved correct that the Australian government would offer it some role with ASC despite its disengagement from the purchase process.

The latter two points here are of most interest to this study. Although the government statements of the time are replete with the fears of transfers of US technology to their European competitors, the Europeans would argue

\textsuperscript{12} Senator Robert Hill, Minister for Defence, and Senator, Nick Minchin, Minister for Finance and Administration, 'Electric Boat Corporation signs as capability partner to Australian Submarine Corporation', \textit{Media Release}, MIN 536/02, 3 October 2002.


... vehemently that the fears regarding technology transfers in this particular project were almost entirely coalescing in their domain. Submarine construction is a multibillion dollar industry and technology is tightly held. Though the US are manufacturers of the big nuclear boats, it is the Europeans, in particular the Germans and Swedes, who have been the pre-eminent constructors of the diesel electric submarines. The last conventional submarine built in the US was constructed by Northrup Grumman in the 1950s. Thus, some would argue that while Electric Boat may have brought project management and generic submarine experience to the ASC, it was the US company who had most to gain from its association with the Adelaide based conventional submarine manufacturer. Highly sought after conventional submarine technology: both technical design work and construction experience were now accessible to Electric Boat in its capacity as capability partner to the ASC.

**US 2001 arms package to Taiwan**

How then does Australian conventional submarine technology and Electric Boat's presence in Adelaide intersect with the bigger picture of US relations in Northeast Asia? One year prior to the finalisation of the Australian government and Electric Boat decision on the partnering arrangements with ASC, the Bush Administration approved the removal of high tech arms sales restrictions to Taiwan.
In April 2001 President Bush approved an US$18.2 billion arms sales package to Taiwan. Included in the original proposal were twelve PC-3 Orion anti-submarine warfare (ASW) aircraft, 4 Kidd class destroyers, PAC-2 Patriot anti-missile systems and up to eight diesel submarines. This represented the biggest arms package since the early 1990s, however, delays in weapons deliveries to Taiwan were not uncommon. Negotiations over the sale of the F-16 fighter planes took ten years to be completed. While the original plan was to include the Aegis system (to track and respond to multiple targets), after extensive lobbying from the PRC who objected to the Aegis inclusion as it could form the basis for a Theatre Missile Defence (TMD) System saw it removed from the 2001 package.\(^\text{14}\) Despite the Aegis removal, Beijing remained opposed to the arms sales with particular objections to the inclusion of the submarines in the package.

White House Press secretary at the time, Ari Fleischer, argued nevertheless, that under the Taiwan Relations Act,\(^\text{16}\) the US had a responsibility to provide Taiwan with defensive weapons.\(^\text{17}\) However, it was President Bush's statement that the US was willing to 'do whatever it took' to defend Taiwan that dramatically intensified the situation.\(^\text{18}\) Although later denied by the White House, the declaration indicated that the administration had intended a shift from the policy of 'strategic ambiguity' to one of 'strategic clarity'. For Beijing, a policy shift of this nature would serve to embolden Taiwan to pursue independence more strenuously.\(^\text{19}\)

Not only had Bush's initial period in office upped the ante in Sino-US strategic relations with its missile defence proposals and election campaign language casting PRC as its strategic competitor, the month of April had already dawned with a standoff over an American spy plane's collision with a PRC PLANAF J-811 fighter plane. After the mid-air collision the PRC fighter crashed into the South China Sea while the US EP-3 surveillance plane and 24 US service personnel were held by the PRC for eleven days at the People's Liberation Army's (PLA) Lingsui airforce base.


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More broadly, the events in April reflected the new Bush administration national security group's 'more cautious and skeptical' disposition toward the PRC. David Shambaugh records that the new team were 'much less convinced than its predecessor of the value of engaging China. Leading members of the new administration's foreign policy team and defense team were openly critical'. As the PRC continues to modernise its military, the Pentagon issued a report claiming that the military balance of power in the Taiwan Straits would shortly favour Beijing. Furthermore, the US Defense Department remained candidly hawkish on the PRC military build up with particular concerns focussing on the PLA Navy's (PLAN) development of blue-water naval capability. Though the PRC's endeavours to modernise confront considerable challenges and have previously been constrained by its military-industrial complex's inability to breach the technology gap with the west, despite some transfers from Russia, it does however, possess the capacity to project power through the South China Sea and 'disrupt' US carrier battle groups through a cross straits conflict. In all, the capability here reflects specific contingency planning.

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21 Ibid., p. 335.
22 Ibid., pp. 335-336.
24 David M. Lampton, 'What growing Chinese power means for America', Testimony to the United States Senate Committee on

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straits conflict could be area denial of US naval assets. The aim would be to limit US capacity to access the straits. Arguably submarine capability and ASW for both the PRC and Taiwan would be integral in the success or otherwise of this strategy. Limiting Taiwan's potential capability in this battlespace would thus be vital to any prospective PLA campaign.

A submarine manufacturer?

Despite the PRC's endeavours, the US pressed for the uptake of the proposal. US pressure was responsive to perceptions that Taiwan had maintained low defence budget expenditures. Although the Taiwanese defence budget as a percentage of GDP, at 2.4 per cent, remained larger than many of the US allies, and was the second largest purchaser of US arms between 1996-2003, it has been undergoing a gradual decline over the past decade.

US motivations here incorporated both the argument for burden sharing in defence responsibilities between the US and its allies and the constant pressure to support the US military-industrial complex. US administration pressure to support its domestic arms manufacturers was well documented.

Yet, when it came to the question of who would supply the diesel electric submarines to Taiwan no answer was immediately forthcoming. When questioned as to how the US would provide the submarines when they did not construct them, Press Secretary Fleischer replied,

the United States would not have indicated that they would be available to provide to Taiwan if we didn't believe that we had the means to secure their production. And that's an operational fact of how a sale will take place. The United States is confident that's an

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addressable point...through normal contracting and production procedures.\textsuperscript{30}

But neither of the major US submarine manufacturers were constructors of conventional submarines. Both Northrup Grumman and General Dynamics, builders of the US nuclear powered submarine fleet through their respective Newport News and Electric Boat submarine arms lacked the skills and expertise to construct the smaller diesel submarines. Arguably the philosophy of the nuclear boats is dramatically different to that of the conventional submarine. And given the fundamental differences, the contemporary manufacturers, largely European in origin, held the intellectual property under tight restraint. So, how would the US deliver the boats to the Taiwanese?

One option was to persuade an ally to supply the boats. What of Australia? For some years Australia contemplated exports of the submarines to the Asian market as part of its endeavours to achieve a viable and successful local defence industry.\textsuperscript{31} Consequently, once the boats had been constructed for the Royal Australian Navy (RAN) it was rational to think that it would move into the export market.\textsuperscript{32} More extensively, there were reports that Australian defence exports, including submarines, surface ships and infantry rifles could prospectively capture ten per cent of the $11 billion Southeast Asia defence budget. Nonetheless, the plan was wrecked on a number of reefs. Not only was Australia a novice in a highly competitive and expert arms trade, in the late 1980s and early 1990s there were fears that the sales would antagonise the peace movement, the Left of the Labor Party and possibly jeopardise Labor’s electoral success. Moreover, the prospects of exporting weapons into a region where some governments were not democratically elected and power structures remained murky seemed fraught with risk.\textsuperscript{33} Further, Cameron Stewart reports that by 1995, instead of utilising its ASC subsidiary, Kockums had decided to market the submarines into the region directly.\textsuperscript{34}

The Taiwanese market, nevertheless, presented its own problems for Australia. For some time Australia had baulked at the proposition of submarine exports to Taiwan given the questionable political risk it entailed.\textsuperscript{35} Even though the US could be an intermediary in the sale process,

\textsuperscript{34} Ibid.
the hazards were all too obvious. The PRC had for some
time provided definitive statements expressing their
disapprobrium on international weapons sales and
technology to Taiwan.³⁶ Responsive to these threats,
Australia studiously avoided any discussion of the
manufacture of the Collins boats for either Taiwan or the
US. That Australia at this time mused intently at
prospective and massive LNG, iron ore and coal sales to
the PRC, a rejection of billion dollar submarine sales
seemed more palatable.

If Australia was a non starter in the market, then
perhaps second hand boats could be purchased from Italy
or Israel. Choosing this option would make for a quick sale
and delivery as compared with a five year construction
phase. Yet perhaps the Dutch RDM could construct the
boats. One suggestion was that French Augusta 90B
submarines could be assembled in Pakistan. As Pakistan
had acquired a licence to assemble the submarines a US
sponsored deal might accomplish grander strategic
purposes through a commercial reward for Pakistan’s
assistance in the Long War. Moreover it might serve to
counter increasing ties between the PRC and Pakistan and
further aid the renewed ties between the US and India.
Taiwan could also share in the construction through partial
assembly of the boats.³⁷ While this proposal might fulfil
some strategic objectives its likelihood remained remote.

Australia too, was not alone in seeking closer diplomatic
ties with the PRC. The EU were considering lifting its arms
embargo to the PRC and many of the Europeans were
endeavouring to reap the commercial benefits of enhanced
relations with the PRC. Assisting Taiwan to modernise its
armoury, through either weapons sales, technology
transfers or equipment sales, would hardly advance their
cause. These solutions too would not placate the US
military industrial complex nor their Congressional
representatives.

Another solution was for the Taiwanese to construct the
boats themselves. Indeed this solution was one favoured
by Taipei’s China Shipbuilding Corporation (CSBC) for their
Kaohsiung shipyards. After all, Australia demonstrated that
one of the best conventional blue water attack submarines
could be constructed from a greenfield site. Again, this
might be possible if CSBC operated in conjunction with a
US industry partner who possessed the relevant submarine
technology. Though the arms package continued to be
stalled through the Legislative Yuan (Taiwanese
parliament), by 2004 there was increasing pressure for the

³⁶ Lynne O’Donnell and Sid Marris, ‘Beijing warns on sub sales to

³⁷ Arun Khanna, ‘Give Pakistan role in Taiwan subs deal’, Financial
boats to be constructed locally. Lee Hai-tung, Navy Chief of Staff, declared that 'partial domestic construction of the submarines is a necessary condition for the contract'. If politically, this engendered support for the package through the parliament via its prospective provision of employment opportunities and work for the troubled shipyard, Kathrin Hille also argued that local assembly would raise the costs by some 12 per cent. Furthermore, construction of the submarines in the local shipyard would increase costs by 24 per cent.\(^{39}\)

Of course, the US arms manufacturers had ideas of their own. Northrop Grumman’s reputed solution after the bankruptcy of Babcock-Borsig was to acquire 75 per cent of German conventional submaker, HDW, through Chicago’s Bank One Equity Partners arm.\(^{40}\) HDW had also acquired Kockums, (Swedish designer of the Collins boat), in preparation for a bid for the US Navy’s new Littoral Combat ship. HDW had welcomed the possibility of additional work as its prospective sales in the merchant surface vessel sector had declined. Although its submarine orders had maintained their vigour the international merchant shipbuilding market was flagging. Consequently

HDW was considering redundancies for 750 workers in its Kiel shipyard.\(^{41}\) The Northrup Grumman plan collapsed, however, when the German government restricted the transfer of German submarine technology. Here, Kenneth Sherman contends that the German decision was made in response to the PRC’s expression of displeasure over the possible transfer of design and technology to Taiwan through the US arms manufacturer.\(^{42}\) Inescapably, the irony here for Australia should that deal have proceeded was that the Australian government precluded the sale of the ASC on the grounds that US technology would have been compromised by the presence of a European partner. Yet here was one of the pre-eminent US weapons houses courting the incorporation of the same European company to construct boats for another US ally.

While Northrup Grumman continues to search for another partner to bid for the Taiwanese boats what of General Dynamics’ Electric Boat, its submarine manufacturer? Connecticut based Electric Boat became the ASC’s capability partner in 2002. At the announcement of the agreement with Electric Boat former Defence Minister, Robert Hill, acknowledged not only the role that


\(^{39}\) Ibid.


the two governments had taken in the negotiations but it was done so with 'a great deal of cooperation and support from the US Navy' (USN). The initial contract for Electric Boat amounted to $20 million over three years with the possibility of extension for another three to four. The funds also included the relocation of Electric Boat staff.  

Commenting upon the negotiations Robert Hill also declared that this was a 'very good deal' for Australia as 'every country in the world would want the knowledge base that they are prepared to share with us.' What was not said, but later remarked upon in relation to Electric Boat's possible tender for the manufacture of the Taiwanese submarines was that Electric Boat had acquired valuable experience in conventional submarine technology through its association with the ASC.  

As experts in nuclear submarine technology there was much for the US company to learn about conventional subs. And learn it did. By 2006 General Dynamics was seeking pre approval as the Taiwanese submarine designer.

Beyond the commercial acquisition of technology gains

for the diesel electric submarines themselves, it was also claimed that the USN had an interest in the conventional platform as it could provide the opening to fuse both advanced nuclear submarine technology with that of unmanned technology. Moreover this USN interest was positioned through Electric Boat's presence in the Adelaide shipyard.  

As to a possible supplier of the combat system for the Taiwanese submarines both US weapons manufacturers Raytheon and Lockheed Martin had been identified as contenders. Raytheon had produced and installed the CCS MK II for the USN Seawolf nuclear attack submarines and the Ohio class nuclear ballistic missile submarines. Yet once again experience with the Australian submarine project provided Raytheon with the opportunity to work with conventional submarines. It was appointed to supply a modified version of the nuclear boat system for Australia's Collins combat system despite a RAN evaluation team's ranking of it as the third placed bidder behind STN-Atlas and Thomson-CSF (now Thales). STN-Atlas was also the preferred combat system supplier for the Defence Acquisition Organisation. The STN-Atlas ISUS-90 system

was a modified off-the-shelf technology that had been implemented in ten of the world's conventional submarine fleets and interfaced with US, UK and German weaponry.  

**Taiwanese domestic politics**

However, five years after President Bush's approval of the arms package, no decision had been made to proceed with the procurement of the submarines for Taiwan. But this was not the only stumbling block to the deal. Such was the cost of the package that the opposition party in Taiwan, the KMT, blocked the arms purchase by utilising its slender majority in the legislature.

Taiwan's legislature had been unable to secure support to approve the deal, with the opposition citing exorbitant cost structures and uncertainty surrounding the design and manufacture of the boats. The KMT opposition's continual blockage of the package in the legislature through its majority has also stemmed from its stated fears that the deal would incite an arms race.  

Financial commitment was made more difficult by the failure to provide specific details of the purchase. Attempts to provide plans for preliminary design work have been mooted to break the deadlocks in the project. Consequently the KMT hinted at its prospective support for a cheaper arms deal. In June 2006, the Cabinet approved a budget plan to evaluate the US submarine proposal, upgrade the PAC-2 anti missile batteries and construct an airport on Taiping Island, part of the Spratly Islands in the South China Sea. However, attempts to pass the revised package was again stalled in the legislature with both parties denying responsibility for the delay. The opposition cited the late submission of the bill to the legislature by Cabinet as the primary cause of its rejection.

**Preservation of the US nuclear fleet**

Complicating the sale and delivery in unanticipated fashion, however, was the 'open secret' that the some sections of the USN opposed any US construction of the submarines as it would jeopardise the integrity of the nuclear fleet. Fears surfaced that if the US invested in the conventional submarine manufacturing process in US shipyards then at some point the USN would be obligated

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49 The China Post, 'President likely to raise arms purchase with Ma', 1 April 2006.
50 Inside the Pentagon, 'Critical Intelligence', vol. 22, no. 13, 30 March 2006.
52 Ibid.
to purchase the boats. Conventional submarines, nonetheless, appeared not to be on the Navy's wish list. As the US Submarine Warfare Division openly states,

diesel submarines are the wrong ships for the United States. Diesel (and other non nuclear propelled) submarines do not match the forward, globally oriented responsibilities and strategy of the United States and cannot operate far from US shores for extended periods. They do not have the mobility, covertness, endurance, or firepower to meet the military requirements for submarines.

Mark Gorenflo and Michel Poirier of the USN have also argued that the US cannot rely on foreign countries close to deployment areas basing the boats, nor could the conventional submarines operate with the 'highly mobile carrier battle groups or amphibious ready groups'.

Admiral Vern Clark added that the countries that utilised the conventional submarines deployed them as sea denial platforms and not for battle space dominance which was the primary role of the US boats. Consequently, in 2003 he stated that 'I don't have any plans to build a non-nuclear submarine. I don't know if anybody else does, but nobody I know of in the Navy.' Reiterating this message in 2006, Mike Mullen, Chief of Naval Operations stated that 'my position with our Navy is that we stay in nuclear powered submarines and it's tied to sustaining it...as far as our future is concerned, I would continue to expect us to stay in the nuclear world.' One could reasonably surmise here then that the assertive public position taken by senior members of the navy who opposed the USN's procurement of conventional submarines was part of a tactical campaign to thwart any discussion of the notion in its infancy. Any move then to construct conventional boats in US shipyards would be by implication regarded as increasing the

8 June 2006.


likelihood that the USN would need to purchase the local naval product. As such the naval campaign may be seen as a pre-emptive strike directed against this end. Furthermore, it has been suggested that the initial US $12 billion price tag, seen as excessive by some, has also been a move to price the submarines out of the market.

**US congressional champion**

It would not be all plain sailing for the navy, however, as one champion for the manufacture of conventional boats within the US, Republican Congressional representative, Robert Simmons, was a vocal and proactive advocate. Simmons, whose home state of Connecticut housed the Electric Boat shipyards, had visited Taiwan early in 2006 to lobby the government to purchase the boats. Driving Simmons’ attention was the reality that US shipbuilders were confronted with difficult economic times. Electric Boat was contemplating reducing its workforce by up to 50 per cent over the next three years. Spurred on then to advance the deal, Simmons had proposed that the arms package be divided into smaller parts in order that the funding be made more manageable and acceptable to the Taiwanese legislature. Initially the legislature could approve the design work and then proceed to the manufacturing costs. Arguing for the submarine sale, Simmons outlined a two pronged case. First, he pointed to the dangers in allowing the US industrial base to decline and second, he reiterated the PRC threat. He claimed that the US was encountering a mounting sub surface threat as the PRC had around twenty-four submarines under contract and a further sixteen under construction. For Simmons, the combination of the two factors amounted to ‘a serious national security problem’. To that end Simmons had persuaded Republican Duncan Hunter, chairman of the House Armed Services Committee, to convince Donald Winter, Navy Secretary, to discuss the division of the arms package. Joining the Congressional lobbying too were Californian representatives as Northrup Grumman’s headquarters were situated in Los Angeles. By April of 2006, William Hilarides, the program executive officer for the submarines, indicated that the USN and the Taiwanese were discussing the division of the package into affordable stages. Nevertheless, Hilarides also maintained the opposition of the USN to the acquisition of the boats for

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62 Ibid.
their own fleet.  

The Australian connection

Though the Australian government has steadfastly rejected the sale and export of the Collins submarines to Taiwan over the history of the project, it remains a possibility that Australia may indirectly contribute to the manufacture of the submarines. In its desire to increase the intimacy of its association with the US as part of a broader orientation to the US the Australian government appointed two US companies to become involved in the Collins submarine project. Now, both Electric Boat and Raytheon have been designated as two of the four US companies pre-approved to tender for the submarine design project. Whatever Electric Boat has brought to the ASC in terms of project management know-how, clearly Electric Boat’s experience as capability partner has provided that company with invaluable knowledge and skills in the conventional submarine industry. Further, Raytheon’s appointment to provide an adapted version of the CCS Mk II combat system to suit the diesel electric submarines offered it critical experience with the adaptation, manufacture and installation of systems in conventional boats. Moreover, it offered both US companies the opportunity to examine and work with the intimate design features and operations of the boats.

Conscious of the PRC demands that Australia not to sell the submarines to Taiwan the Australian government duly refrained from that export option. Yet, the PRC also expressed its ‘alarm’ and disapproval of the prospects of the US acquisition of conventional submarine expertise through the Australian connection. In 2002 The Australian reported the PRC foreign ministry as stating ‘We hope, and are confident, that the Australian side will scrupulously abide by the one-China policy and by no means participate in the sale of weaponry to Taiwan in order to avoid creating serious harm for Sino-Australian relations.’

By 2006 the Australian government has developed close economic relations with the PRC. Massive resource deals have increased the pressure on the Australian government to deepen its diplomatic ties with the PRC. Yet this increasing engagement runs parallel with the Howard government’s intensification of ties with the US over the past six years. As both Hugh White and William Tow

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64 Lynne O'Donnell and Sid Marris, ‘Beijing warns on sub sales to Taiwan’, The Australian, 22 April 2002, p. 7.  
contend, whether Australia can engage in this dual strategy remain as one of the critical questions of Australian foreign and strategic policy. 67 Tow argues that should Sino-American rivalry intensify then it is unlikely that either country will allow Australia to employ a ‘discriminate engagement’ policy. 68 Consequently Australia must become more proactive in ensuring stability in the triangular relationship. One of Tow’s proposed policy initiatives is that Australia and the US facilitate a Sino-American-Australian security dialogue, perhaps also including Japan, with the focus of the meeting addressing the Taiwan security issue. Tow suggests that the participants could examine ways in which arms sales to Taiwan may be reduced. 69 At this point the Australian government might just be hoping that either the arms package does not proceed at all, but if it does, that Northrup Grumman takes the lead or Australia’s association with Electric Boat and Raytheon, should either be selected as industry contractor for the Taiwanese submarines, will be perceived as removed enough in order that the PRC’s ‘alarm’ does not significantly damage relations.

The bigger picture in Asia

Of itself the dilemma the submarine package presents within the US is a fascinating one. Within the US the current impasse sees naval politics being played out against those of congressional representation. It is one where the navy’s interests in preserving the integrity of the nuclear fleet is endeavouring to hold out against the corporate and employment pressures amassing upon congress. While it would be foolish to underestimate the strength of the USN to maintain the conditions for its nuclear fleet, US domestic and Congressional politics may be more persuasive, especially at a time when US budgetary pressures have reached dramatic levels. A new future in conventional submarines, with sales to Taiwan, followed by exports to Israel and Egypt may dilute that threat. What it does not dilute, however, is the predicament faced by the Australian government in its diplomatic and trade choices with the PRC. And as White suggests these choices are part of Australia’s bigger dilemma about the future of Asia: a dilemma that concerns how Australia can preserve its interests during a period when strategic transformation is being enacted in Asia. 70

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69 Ibid., p. 464.
70 Hugh White, ‘The limits to optimism: Australia and the rise of China’,
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