



Center for Global Studies  
A NATIONAL RESOURCE CENTER AT THE UNIVERSITY OF ILLINOIS

# Occasional Paper

---

## **What Are the Political, Economic, and Strategic Implications of the US-UK Sale of Nuclear Submarines to Australia?**

Edward A. Kolodziej  
Professor Emeritus and founding Director,  
Center for Global Studies  
University of Illinois Urbana-Champaign



Center for Global Studies  
University of Illinois Urbana-Champaign  
October 1, 2021

## What Are the Political, Economic, and Strategic Implications of the US-UK Sale of Nuclear Submarines to Australia?

This publication is supported by funding from the U.S. Department of Education's Title VI Program and is produced by the Center for Global Studies (CGS) at the University of Illinois Urbana-Champaign.

The University of Illinois is an equal opportunity/affirmative action institution.

The CGS *Occasional Paper* series circulates the research and analytical results of faculty and students associated with CGS. Publications of CGS are available upon request. For additional information consult the CGS at: <http://www.cgs.illinois.edu/>

CGS publications can be found in the University of Illinois institutional repository at: <https://www.ideals.illinois.edu/handle/2142/215>

University of Illinois at Urbana-Champaign  
Champaign, IL 61820  
*Series editor:* Steve W. Witt

# **What Are the Political, Economic, and Strategic Implications of the US-UK Sale of Nuclear Submarines to Australia?**

---

Edward A. Kolodziej,  
University of Illinois Urbana-Champaign

---

**Center for Global Studies  
University of Illinois Urbana-Champaign**

A quick way to grasp the complex political, economic, and strategic implications of the sale of nuclear submarines by the United States and the United Kingdom to Australia is to imagine these outcomes as contained within four successively larger *Matryoshka* Russian dolls. The four dolls are not really isolated from each other. They stand together as essential elements of an integrated whole. What we need to know is how they are inextricably linked to each other.

### The Clash of MICS (Military-Industrial Complexes)

The first and smallest of the dolls represents the competition between the military-industrial complexes (MICs) of the United States, the United Kingdom, and France. Australia's order for a fleet of at least eight nuclear submarines, based on the American Virginia or British Astute class, and the unexpected cancellation of its \$66 billion contract for 12 diesel French Barracuda attack submarines was a blow to French arms sales.<sup>1</sup>

The pecking order of arms suppliers has been fairly stable over the past generation. The United States has maintained its leading position as first among arms sellers since large sales of US arms began in the Cold War. It retained that position with 37 percent of all sales between 2016 and 2020. Russia was second; the UK was a distant sixth with 3.3 percent of global sales. France held third place among arms exporters during this period. It presently accounts for approximately eight percent of arms sales over the past five years.<sup>2</sup>

The loss of a \$66 billion submarine contract that was projected to extend over a decade before its completion is only part of the blow France suffered. The clandestine pre-emptive US-UK nuclear submarine sale was an assault on the competitiveness of France's military-industrial complex. It is important to note that arms exports are central to France's claim to be a major power. As early as the Fourth Republic, France furnished Israel the nuclear Dimona research reactor, which facilitated Israel's development of nuclear weapons. Israel also contracted for Dassault fighters, vital in Israel's victory in the 1967 war with Arab states. Between 2013 and 2017 France sold arms to 81 states.<sup>3</sup> Going back centuries as a furnisher of arms to other states and favored non-state actors, it is useful to recall that Louis XV financed the sale of arms to American revolutionaries, which were indispensable to secure American independence.<sup>4</sup>

The current status of the French military-industrial complex is a state within a state. Its roots are centered in the Napoleonic era creation of the *Grandes Ecoles*. Highly intelligent and trained graduate engineers are given a choice of a career as a military engineer. The cadres of military engineers that drive France's MIC occupy a hard-to-penetrate and privileged status in the French bureaucracy and military hierarchy. These military engineers move easily between their state positions and civilian corporations engaged in arms production and exports. To strike at the French MIC is to strike at the French state. Recalling French ambassadors from the United

---

<sup>1</sup>See the *Economist*, September 25, 2021, pp. 9, 17-20, 36, and 45.

<sup>2</sup> <https://www.statista.com/statistics/267131/market-share-of-the-leading-exporters-of-conventional-weapons/>

<sup>3</sup> <https://www.businessinsider.com/top-countries-exporting-weapons-arms-sales-2018-3>

<sup>4</sup> The significance of French assistance to the American Revolution is developed in Corwin, Edward S. (1916). *French Policy and the American Alliance of 1778*. Princeton: Princeton University Press. Note, too, that the victory of American forces at Yorktown was the consequence of British troops trapped between Washington's army on land and the French fleet stationed off the coast.

States and Australia to protest the cancellation of the Australian contract and the US-UK submarine sale underscores this point.<sup>5</sup>

Australia was keen to break the contract for the French diesel submarines. In contrast to the French diesel submarines, the US-UK nuclear powered boats are faster, dive deeper, and can remain on station indefinitely as long as the crew can be sustained at sea. Intelligence reports indicate that China is behind the United States in detecting nuclear submarines. Cost overruns and delays also soured the Australians on the contract, a frustration deepened by the gradually loss of jobs. An initial contract expectation that ninety percent of the jobs would go to Australians dropped to 60 percent at the time of the announcement of the AUKUS nuclear submarine sale.<sup>6</sup>

The Australians were tempted, too, by the prospect that the US-UK offer would provide them access to nuclear technology more quickly than the activation of the French promise of converting some of its diesel submarines to nuclear power. Envisaged, too, was the prospect of collaboration in artificial intelligence and cyber security.<sup>7</sup> There was also the experience of having worked more closely with the British than the French. So, meeting contract deadlines and managing cost overruns appeared more likely.

What was particularly attractive to Australia's security planners was Australia's entry into a strengthened security alliance with the United States and Britain in response to the threats posed by China. AUKUS also bolsters Australia's status as a member of the Quadrilateral Security Dialogue or QUAD with Japan, India, and the United States to discuss shared interests in the Indo-Pacific. Given Australia's membership in both groups, there is the prospect of increased cooperation between AUKUS and QUAD on naval security, linking the South and East China Seas to the Indo-Pacific.

### **The US Special Nuclear Relation with the United Kingdom**

This brings us to the second and larger Russian doll, the special nuclear relation between the United States and the United Kingdom. In 1958 Congress passed legislation to permit the United States to share secret nuclear technology with the United Kingdom in its development of nuclear warheads. This agreement was at odds with American legislative prohibitions to transfers of nuclear know-how to other countries. The Eisenhower commitment subsequently led to an agreement by which the two states would develop an air-to-ground ballistic missile — the Skybolt — to prolong the age of the British V-bomber nuclear strike force.

Without consulting the British, the Kennedy administration abruptly cancelled the Skybolt project. In the resulting furor, the United States agreed, as compensation, to furnish the British the technology to build its own Polaris nuclear submarines as well as the intercontinental ballistic missiles arming these vessels. The British would furnish the warheads, a technology

---

<sup>5</sup> The French MIC, with emphasis on the role of military engineers, is discussed in Kolodziej, Edward A. (1987). *Making and Marketing of Arms: The French Experience and Its Implications for the International System*. Princeton: Princeton University Press, pp. 213-300.

<sup>6</sup> *Politico* summarizes the Australian case for nullifying the French contract. See *Politico*, September 9, 2021. "Why Australia Wanted Out of Its French Submarine Deal."

<sup>7</sup> *Economist*, *op. cit.*, p. 17.

facilitated by the 1958 arrangement with the Eisenhower administration. The United States saved a British nuclear deterrent that, effectively, was outside American control. The British have since acquired Trident nuclear submarines and advanced missile technology as a follow-on to the Polaris agreement. British nuclear submarines are also refurbished at US naval facilities. It is not a stretch to say that the United States is the world's leading proliferator of nuclear weapons despite its signature to the Non-Proliferation Treaty of 1967 (NPT). The AUKUS submarine contract will violate the NPT if the enriched uranium sold to Australia becomes a cover for Canberra's development of nuclear warheads.<sup>8</sup>

France was never accorded the same privileges. It was barred from receiving assistance in its development of nuclear weapons under the Fourth Republic.<sup>9</sup> The United States sought, relentlessly but futilely, to frustrate France's nuclear aspirations for nuclear weapons and the creation of an independent French nuclear force. The de Gaulle Fifth Republic banked on the modernization of France's armed forces as a core of its strategy to modernize France's military and civilian industries. In developing the scientific, technological, and industrial base to support France's nuclear strategy of the *force de frappe*, a modern MIC would be created to spur the civilian economy. The *force de frappe*, acting independently of US control, threatened to force the United States into a war not of its choosing. There was also the danger that French nuclear capabilities might tempt Germany to acquire nuclear weapons. These concerns formed Washington's decision to reject out of hand the proposal of President Charles de Gaulle to form a tripartite nuclear control group within NATO of the United States, Britain, and France.<sup>10</sup>

The AUKUS decision to marginalize France in Asia and, specifically, in decisions affecting the South and East China Seas has potentially adverse strategic consequences for the United States and the West. France has interests, as do all the European states, in the security of Asia and, notably, for the free passage of goods and personnel through the waters of the South and East China Seas. In the region, France stations 7,000 troops; maintains four naval bases; and its ships patrol important sea lanes. Two million French citizens are spread across its numerous territories. In limiting France's influence in shaping the Asian security order, Washington essentially assumed unilateral leadership to determine the balance of forces in the area as well as the military strategy that would be pursued to contain China. US planners were encouraged to assume this posture since the European states, including France and Germany, had earlier objected to President Biden's suggestion to include the containing of Chinese military aspirations in NATO's strategic decision-making. Indeed, on the very day that the Australian submarine contract with the US and the United Kingdom was announced, the European Union announced its strategy for the region. Unlike the muscular approach preferred by the United States, the Europeans emphasized peaceful cooperation with all states in the region, including China, rather than military threats to contain Beijing's aspirations.<sup>11</sup>

---

<sup>8</sup> The *Economist* makes this point, p. 19.

<sup>9</sup> There is a cottage industry of scholarly and public policy volumes, which detail the development of nuclear weapons under the Fourth Republic. *Inter alia.*, consult Goldschmidt, Bertrand, *L'Aventure Atomique*. Paris: Fayard, 1962 and Scheinman, Lawrence. *Atomic Energy in France under the Fourth Republic*. Princeton: Princeton University Press, 1965.

<sup>10</sup> France's nuclear policies under the Fifth Republic are detailed at length in my 1974 publication: *French International Policy under De Gaulle and Pompidou: The Politics of Grandeur*. Ithaca: Cornell University Press. French military strategy and arms sales are further developed in n. 5.

<sup>11</sup> On the heels of the announced AUKUS submarine contract, The European Commission issued the EU's "Strategy for Cooperation in the Indo-Pacific. See <https://eubuzz.news/questions-and-answers-eu-missions/>.

There is one important implication for Western security to be drawn from this episode. The United States is adding military power to its pivot toward Asia, first announced by President Obama. AUKUS clearly responds to the security threats posed by China. Conversely, the Europeans are expected to assume increased responsibility for their own defense, a message less diplomatically sent by the Trump administration in reducing American troops in Germany without consulting its NATO allies. American troops will still remain in Europe as a pledge of US support for European security, principally against Russia. Its somewhat tattered nuclear umbrella will also continue to cover the security interests of the European Union.

What is unfortunate is that Washington did not seriously consider reaching a compromise with France on the delivery of nuclear submarines and include France in American security planning for Asia. If France were deeply involved in Anglo-Saxon security decision-making in Asia, so also would Europe be engaged. Any military clash in the region between the United States and China would necessarily involve Europe. If France, progressively, were a party to AUKUS strategic decision-making in Asia, NATO might then be drawn into Asia as part of its remit. Dividing Asia and Europe into separate, isolated strategic domains falsifies what is essentially a single, integrated security system. No one needs go further to reveal the flawed strategic decision-making that surrounds the Australian nuclear contract than to remember the outcome of the Japanese attack on Pearl Harbor that triggered American entry into the European conflict.

### **China's Monroe Doctrine: The South China Sea**

This brings us to the third Russian doll: China's threat to its neighbors, to the United States and, more generally, to the democracies around the world. China claims the states bordering on China and the South China Seas as its exclusive sphere of influence. This vast region constitutes China's Monroe Doctrine. Of particular concern is China's assertion of sovereignty over the South China Sea and, by extension, the East China Sea.<sup>12</sup> The South and East China Seas are of central importance not only for the states of Southeast Asia and the Indo-Pacific region but also for all states of the international system. It is a crucial sea-lane of communications connecting the east-west route between the Indian and Pacific Oceans and the north-south route between Australia and New Zealand to Northeast Asia. Over half of the top ten container ports are located in or around the South China Sea. Keeping these commercial arteries open is a major concern of the entire international community. In 2016 US\$3.37 trillion of trade and 40 percent of global liquefied natural gas transited through the South China Sea.<sup>13</sup> Ninety percent of Japan's oil passes through the area. Estimates of oil and gas deposits near the disputed Spratly Islands range from 105 to 214 billion barrels of oil and 266 trillion cubic feet of gas reserves. Living and non-living resources also bulk large. The area contains one of the largest resources for fish, providing 25 percent of the protein to 500 million people and 80 percent of the Philippine diet. Mineral resources in phosphorous, tin, manganese, copper, cobalt, and nickel are also estimated as abundant.<sup>14</sup>

---

<sup>12</sup> See China's *Defense White Paper of 2019*, <https://www.csis.org/analysis/chinas-new-2019-defense-white-paper>.

<sup>13</sup> For data, see the Global Conflict Tracker page of the Council on Foreign Relations,

<https://www.cfr.org/interactive/global-conflict-tracker/conflict/territorial-disputes-south-china-sea>.

<sup>14</sup> See Roy, Nalanda. (2016). *The South China Sea Disputes: Past, Present, and Future*. New York: Lexington Books, pp. 11-22 for data.

However significant the living and non-living resources of the South China Sea may be, they are subordinate in salience to China's security concerns. Whoever controls the navigation and over-flight of the South China Sea directly impacts China's core security interests.<sup>15</sup> That overriding priority is evidenced in China's increasing militarization of its waters both through its buildup of air and naval forces and through land reclamation in the Spratly Islands to establish military aircraft landing, logistical, surveillance, ship docking, and weapons emplacement facilities. Beijing has also developed the Yulin Naval Base on Hainan Island to enable rapid access of its warships to the Pacific Ocean and the South China Sea. Yulin houses several naval warships, including China's nuclear submarine forces and a fleet of diesel-electric submarines capable of attacking enemy ships, specifically those of the United States and its Asian allies, Japan, South Korea, and Taiwan.

China is moving expeditiously to military parity with the United States globally. China envisions a navy with more than 430 ships and 100 submarines by 2030, double the United States fleet. Generalizing from this military buildup, Chinese planners are apparently seeking to establish China's superiority in the South and East China Seas on the strength of its conventional naval and air capabilities. If it can achieve that level of strength, the expectation in Chinese strategic thinking is that an opponent (i.e. the United States) will not have an incentive to use nuclear weapons in an armed clash in the region. That may be a risky strategy since, unlike China, the United States has not renounced the first-use of nuclear weapons.<sup>16</sup>

The progressive balance of military forces in the South and East China Seas favoring Beijing poses a serious strategic threat to the United States and its allies in the region. In a presentation to Congress in 2018, Admiral Philip S. Davidson, Commander of the US Indo-Pacific Command, alerted Congress to the problem:

China will be able to extend its influence thousands of miles to the south and project power deep into Oceania. The PLA [Peoples Liberation Army] will be able to use these bases to challenge US presence in the region, and any forces deployed to the islands would easily overwhelm the military forces of any other South China Sea-claimants. In short, China is now capable of controlling the South China Sea in all scenarios short of war with the United States.<sup>17</sup>

The AUKUS nuclear submarine sale and the alignment of these states in the confrontation with China open a new and accelerated arms race in the East and South China Seas and in the Indo-Pacific.

---

<sup>15</sup> Heath, Timothy R., Gunness, Kristen, & Cooper, Cortez A. (2016). *The PLA and China's Rejuvenation: National Security and Military Strategies, Deterrence Concepts, and Combat Capabilities*. Santa Monica, CA: National Defense Research Institute. p. 9.

<sup>16</sup> For an analysis of Chinese strategic assumptions about US behavior in an armed confrontation in the South China Sea Cunningham, Fiona S., & Fravel, M. Taylor. (2019). Dangerous Confidence? Chinese Views on Nuclear Escalation. *International Security*, 44(2), 61-109.

<sup>17</sup> [https://www.armed-services.senate.gov/hearings/18-04-17-nominations\\_--davidson---oshaughnessy](https://www.armed-services.senate.gov/hearings/18-04-17-nominations_--davidson---oshaughnessy). See p. 18.

## Global Governance: Whither the Chinese or Liberal Democratic Solution

Davidson's sobering assessment of Chinese military capabilities in the South China Sea brings us to the fourth, largest and most encompassing of the Russian dolls: the projected century-long struggle between China and the United States or, more broadly, the struggle between liberal democratic and authoritarian regimes to determine the governance of the world society. Hannah Arendt joined the issue well before the rise of an aspiring Chinese hegemon under the unquestioned rule of the Chinese Communist Party (CCP): "[N]o cause is left but the most ancient of all, the one, in fact, that from the beginning of our history has determined the very existence of politics, the cause of freedom versus tyranny."<sup>18</sup>

Under President Xi Jinping, China's political and economic objectives go far beyond Asia. President Xi is directing the CCP to export its authoritarian model to the world.<sup>19</sup> It intends to reform the Westphalian system with Chinese characteristics to replace what is a gradually weakening Westphalian system with liberal democratic characteristics. Xi's strategy to replace the dominant liberal democratic model has two critical elements. First, he dismisses the liberal democratic model as incapable of meeting the challenges of this century. The pluralistic interest group politics of the Western democracies generates interminable conflict and division within each liberal democratic regime and between them. In contrast, authoritarian regimes provide order. Unlike the liberal democracies, a ruling authoritarian party or charismatic leader (read here the CCP and Xi, respectively) ensures domestic peace and stability. Autocratic regimes, like China, claim that they surmount the fissiparous interest group conflicts of liberal democratic politics; instead they represent the collective interests of its people. The CCP, accordingly, which possesses a monopoly of power and violence, insists that it represents the interests of the Chinese people, as a whole, what a permanently split and polarized Chinese society, entangled in fractious and fraught liberal democratic politics, is inherently incapable of achieving. Another way of putting President Xi's philippic against liberal democracies and, specifically, American democracy is that the search for a more perfect union will always remain imperfect.

The second line of President Xi's attack on liberal democracies concerns regime capacity to ensure economic growth and sustained technological innovation. China, as a Marxist-Leninist centralized democracy, has demonstrated that an authoritarian regime can achieve unprecedented economic development and modernization without having to adopt the allegedly debilitating political practices of a liberal democracy. Absent China's entry into the World Trade Organization (WTO), globalized markets and supply chains would not have been possible.<sup>20</sup> China's success in drawing tens of millions of Chinese out of poverty provides evidence that authoritarian regimes can effectively and efficiently address global issues, such as poverty, pandemics, global warming, inequality, and sustained economic development for all peoples.

---

<sup>18</sup> Arendt, Hannah. (1951). *The Origins of Totalitarianism*. New York: Harcourt, Brace, p. 11.

<sup>19</sup> Elizabeth Economy makes this point, which I share in my forthcoming volume: *Global Governance: Evaluating the Liberal Democratic, Chinese, and Russian Solutions* (Routledge, 2021). Economy, Elizabeth C. (December 11, 2019). "Yes, Virginia, China Is Exporting Its Model." New York: New York Council on Foreign Relations. President Xi's aspirations for China are laid out in his own words in Jinping, Xi. (2014). *The Governance of China*. Beijing: Foreign Languages Press, *passim*.

<sup>20</sup> For a comprehensive and persuasive account of China's indispensable role in the global economy, consult Overholt, William H. (2018). *China's Crisis of Success*. Cambridge: Cambridge UP.

The perversely refractory politics of the liberal democracies thwarts their efforts to address global challenges either to foster their own interests or those other peoples.

The progressive growth in the number of authoritarian regimes within the Westphalian nation-state system, facilitated by Chinese resources and the CCP example, would, *ipso facto*, create a Westphalian system with Chinese characteristics. Enhanced Chinese military ground, naval, air, cyber, and space capabilities and a minimal nuclear deterrent force, underwriting a nuclear strategy of mutual assured destruction (MAD), are expected to provide the security guarantees needed to dissuade an opponent from attacking China. Parity with the United States and the West then opens the competition between authoritarian and liberal democratic states onto a global economic playing field. The endgame would not only be a Westphalian system populated by authoritarian nation-state regimes but also a state-driven global market system with Chinese characteristics, resulting over decades as a wholesale transformation of the Western Westphalian system.

President Xi's Bridge and Road Initiative (BRI) is China's preferred battleground to achieve President Xi's Dream of a world order and global economic system favorable to Chinese interests and direction. Early upon assuming office, President Xi promised trillions of dollars to spur the economic and technological growth of the developing states. What better way to advance the goal of increasing the number of authoritarian states to populate a Westphalian state-system responsive to the strategic objections of the CCP and China? The BRI's territorial component currently includes contracts at this writing with 139 states on all continents to develop infrastructure projects to promote economic development. The maritime component of BRI seeks to create a chain of friendly ports linking China from the South and East China Seas unto the Indian Ocean and therefrom to the Persian Gulf and the Suez Canal, spilling finally into the Mediterranean to reach Europe.

The importance that President Xi and the CCP attach to the BRI is signified by the BRI's incorporation into the Chinese constitution, as an "objective of the state." Neither the United States nor its democratic allies have an answer to BRI. China is the developing world's principal financier, material resource, and chief technical advisor on infrastructure projects across all continents. This is a gaping hole in Western response to Chinese economic and technological leadership around the world. China is by far the major trading partner of the states of East Asia and the Pacific.<sup>21</sup>

The strategic, political, economic and, indeed, the regime implications of the Australian nuclear submarine contract with the United States and the United Kingdom is framed by the complex century-long struggle between liberal democratic and authoritarian regimes to determine the governance of the world society and the nation-state system. President Joseph Biden's presentation to the 2021 Munich Security Conference echoes the central argument of this analysis: "We are in the middle of a fundamental debate about the future and direction of our world. We're at an inflection point between those who argue that, given all the challenges we face — from the fourth industrial revolution to a global pandemic — that autocracy is the best

---

<sup>21</sup> *Economist*, op.cit., p. 20.

way forward . . . and those who understand that democracy is essential — essential to meeting these challenges.”<sup>22</sup>

In the struggle between authoritarian and liberal regimes to populate the state Westphalian system, the democracies will either hang together or, most assuredly, they will hang separately. The AUKUS strategic alignment has chosen to hang separately.

About the Author:

Edward A. Kolodziej is Emeritus Research Professor of Political Science and the founding Director both of the Center for Global Studies (CGS) and the Program in Arms Control and Domestic and International Security (ACDIS) at the University of Illinois Urbana-Champaign. Professor Kolodziej has written or edited twenty books on security, foreign policy, and international relations theory, including *The Uncommon Defense and Congress: 1945-63* (Ohio State 1966), cited by the press among its top 25 publications; *French International Policy under De Gaulle and Pompidou: The Politics of Grandeur* (Cornell 1974), recommended by the press for a Pulitzer; *Making and Marketing Arms: The French Experience and Its Implications for the International System* (Princeton 1987), cited by *Choice* as one of the major contributions to political science in 1987; *Security and International Relations* (Cambridge University Press, 2006); and *Governing Globalization: Challenges for Democracy and Global Society* (Rowman & Littlefield, 2016). His forthcoming book, *Global Government: Evaluating the Liberal Democratic, Chinese, and Russian Solutions* will be published by Routledge in 2021.

---

<sup>22</sup> <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/02/19/remarks-by-president-biden-at-the-2021-virtual-munich-security-conference/>

See also *New York Times*, February 19, 2021, for a copy of the transcript as edited.