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Too Big to Succeed? Towards a Reformed AUKUS

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EXECUTIVE SUMMARY

The United States should reform AUKUS to emphasize the partnership's Pillar II (technology sharing) while sidelining Pillar I (transfer of U.S. nuclear-powered submarines to Australia). There are two problems with the U.S.-U.K.-Australia defense partnership. Canberra is unnecessary for a balancing coalition against China in the Indo-Pacific, as it remains far away from any likely contingency. AUKUS's submarine transfer component is also untenable because the United States cannot even build enough submarines for itself, much less its allies and partners. Thus, contrary to Australia Deputy Prime Minister Richard Marles's 2023 statement that AUKUS is "too big to fail," AUKUS is actually too big to succeed.

To solve these issues, Washington should align its ways, means, and ends, as is necessary in any good strategy. The United States should shelve its prospective sale of submarines to Australia and rely on Japan and South Korea for shipbuilding, since the anti-China balancing coalition can continue to obstruct Chinese hegemony in Asia without Australia's inclusion. The United States should also expand AUKUS's Pillar II by inviting more Asian allies and partners to share research on emerging technologies. This step will salvage important remnants of the initial agreement by continuing its spirit of cooperation for decades to come.

In 2023, Australia's Deputy Prime Minister, Richard Marles, swatted aside concerns about the long-term viability of the U.S.-U.K.-Australian defense partnership named AUKUS by claiming that it was "too big to

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fail."[1] But no policy is too big to fail, or at least to falter: the F-35,[2] Sentinel ICBM,[3] and Afghanistan withdrawal[4] belie confidence in Marles' proposition.

AUKUS was signed to strengthen Australia against China's rise in the short and long term. Pillar I of the agreement pledges that the United States will sell Australia conventionally-armed nuclear-powered *Virginia*-class submarines, that Australia will rotationally base U.S. and U.K. nuclear-powered submarines, and that the allies would jointly develop a new nuclear-powered submarine for production in Australia. Pillar II undertakes collaboration on advanced capabilities.[5] Working with other American allies in East and Southeast Asia, the coalition aims to counter threats to the balance of power and a prospective Chinese drive for regional hegemony.

The central argument of this paper is that the United States should reform AUKUS to emphasize Pillar II while sidelining Pillar I. First, AUKUS's submarine component is unnecessary for balancing China. Australia is a strategic ally for the United States in the Asia-Pacific, but American military materials should predominantly go to Japan, South Korea, and the Philippines, countries more immediately able to respond to territorial incursions around China. In addition, AUKUS creates steep political costs that the United States does not need to run. Second, the United States lacks the industrial engine to fulfill AUKUS. Washington should recognize its deficiencies and take advantage of its depleted defense industrial base to align its grand-strategic means with its balancing ends.

The United States should focus on Pillar II because it facilitates practical allied coordination on critical emerging technologies.[6] Moreover, Japan and South Korea–the most important U.S. allies in the region–have expressed their interest in joining Pillar II.[7] Pooling resources is the optimal strategy to balance China because each ally brings different advantages to the coalition: for example, Japan excels in manufacturing and defense capabilities while South Korea has an upper hand in defense industry and hypersonic technologies.[8] The United States must shift its efforts within AUKUS in order to create a practical and wide-reaching plan should Chinese dominance in the Indo-Pacific become a threat to Washington.

Balancing in Theory

Great powers seek security in a system of self-help, which means that they primarily rely on themselves for protection. States operate in self-help because the international system is anarchic, which means that there is no higher authority above states to protect them. Additionally, because great powers are unsure of others' intentions but know that their peers have the ability to hurt them, great powers must procure capabilities to defend themselves. States engage in balancing behavior to defend themselves, which means that they increase their power to deter or fight adversaries.[9]

States can balance in two ways. Internal balancing means states increase their own military power. States internally balance by arming, which refers to quantitatively increasing military mass through weapons and soldiers, and imitating, wherein they copy the successful military innovations of their peers. The second form of balancing is external: states create alliances to pool their military power against threats.[10] States face trade-offs between internally and externally balancing, since funds spent enhancing another country's military are unavailable for use on one's own forces. But states first internally balance because relying on one's own military capabilities is true self-help; only the pressure of great power war will cause external balancing because it depends on others.[11] Although widely considered a descriptive framework, this logic of internal and external balancing also makes good prescriptive sense: a state can most rely on itself, and should only rely on others in the most dire of circumstances.

Theory in AUKUS

Because of America's alliance with Australia–in conjunction with its post-World War II hub-and-spokes alliance system in broader Asia–AUKUS's balancing efforts fall squarely in the external category.[12] The United States has maintained an alliance with Australia since 1951, when the ANZUS Treaty compelled Washington to consult and act with Canberra on mutual threats.[13] AUKUS was meant to enhance that alliance in the face of a rising China. In

particular, increasing the capability and capacity of an Australian-based submarine fleet will allow the Royal Australian Navy to maintain stealth across long distances for the ultimate goal of maintaining peace and stability in the Indo-Pacific.[14]

The central pillar of the partnership agreed to rotationally deploy American nuclear-powered submarines (SSNs) out of a port in western Australia, sell a handful of America's new SSNs to Australia, and in the long term provide support for Australia's domestic construction of next-generation SSNs.[15] Australia plays an important role in an anti-Chinese coalition due to its comfortable basing area near the South China Sea and the Philippines. More specifically, nuclear-powered submarines would allow Australia to participate in undersea missions to counter China's naval operations and contribute to an active denial strategy.[16] In addition, SSNs are faster than diesel-electric submarines and can skirt vulnerability by eschewing valuable time often needed to recharge near the surface. Overall, these benefits are meant to increase deterrence against possible Chinese incursions in other countries' waters.[17]

The Biden Administration hurried to sign AUKUS in 2021 because China's economic and military rise outpaced other Asian giants and theoretically gave Beijing a path towards becoming Asia's hegemon. For example, China has grown into an economic powerhouse in recent decades, witnessing approximately double-digit percent annual GDP growth since the 1980s. It is today the world's second-largest economy.[18] Furthermore, China's defense spending (much of which is opaque) has grown to approximately $400 billion, a substantial increase since the beginning of the 21st century. Additionally, China has grown its nuclear arsenal after decades of a conservative assured retaliation posture and expects to reach 1,000 operational nuclear warheads by 2030. Finally, China has disturbed its neighbors by engaging in coercion against and militarily incurring onto Taiwan, the Philippines, Japan, and more.[19]

The second pillar of AUKUS pledged the three countries to jointly develop advanced capabilities. Eight capabilities are central to the agreement: undersea capabilities (separate from SSNs underwater actions, instead focusing on autonomous systems), quantum technologies, autonomous technology more broadly, cyber capabilities (with a particular basis around communications), (counter-)hypersonic technology, electronic warfare, and broad goals in innovation and information sharing.[20]

Oft-overlooked, Pillar II is in reality a critical component of the partnership which may be able to transform the coalition's competitive edge against China. While China has gained a marked quantitative production edge over the United States in submarines, its quality lacks behind America's shipyards. In emerging technologies–AI, 5G, quantum, and the like–China remains a serious competitor.[21]

International relations theory dictates that the United States should lead a balancing coalition against China's rise but would expect Washington to prefer internal over external balancing. Washington has not chosen to do so. How has it fared?

A Shaky Path

Criticisms of AUKUS abound in Washington, Canberra, and elsewhere. But arguments about how to salvage the ailing agreement have focused on small-scale, step-by-step solutions. These include a spent fuel deal,[22] an updated *Virginia*-class design,[23] and simply spending more money.[24] Each proposal matches Deputy PM Marles' view that AUKUS is too big to fail. This paper's central proposition is a complete rethinking of AUKUS, shelving the submarine sale component of Pillar I and refocusing efforts on Pillar II.

There are two problems with AUKUS's first pillar, which is why the United States should sideline it in favor of emphasizing Pillar II. First, increasing Australia's submarine capacity is unnecessary to balance China, and a focus on other allies in the Asia-Pacific geographically closer to China is warranted. Second, the United States does not have the industrial capacity to build nuclear-powered submarines for another country.

Balancing in Practice

As the theoretical balancing section argues, the United States should primarily focus on internally balancing China. Particular attempts to externally balance–such as increasing capabilities with Japan, South Korea, and the Philippines–are sound both because these countries are potential direct casualties of China's rise and can immediately respond to possible Chinese incursions. But Australia is not a prime member of the balancing coalition and stands too far away from China to significantly impact a contingency. AUKUS faces three main problems related to balancing. First, Canberra has little additional power to add to a Washington-led coalition given the inclusion of Tokyo, Seoul, and Manila. The coalition without Australia exceeds China in brute but critical measures such as GDP,[25] defense spending,[26] and total military personnel.[27] Although the Philippines ranks behind Australia on virtually every measure of military and economic power, Manila is easy to include in a balancing coalition because of its direct experience with China's territorial incursions and coercive behavior.

The United States ought to consider several variables when debating whether to maintain Pillar I, which materially binds the naval futures of Canberra and Washington. The most important are deterrence and war-fighting cost-effectiveness.[28] First, Pillar I may perversely decrease the ability of Australia to add towards balancing China. Because the domestic costs of Pillar I are so drastic for Canberra (estimated at hundreds of billions of dollars, more than a slew of major domestic and military programs),[29] Australia may be forced to reduce its military budget for other capabilities.

Indeed, this may be expected, as acquisition, operation, and maintenance costs are already turning out higher than expected. On net, this could lead to a negative impact towards balancing and deterring potential Chinese aggression.[30]

Additionally, it is unclear that analysis of AUKUS has determined it to be better than alternatives at balancing and deterring. There is little indication from the U.S. government and U.S. Navy that either conducted an analysis of alternatives (AOA) or other comparative analysis regarding other possible courses of action, such as a Washington-Canberra division of labor for SSN and non-SSN missions. Indeed, this lack of thorough planning may signal failure for AUKUS, as the Government Accountability Office (GAO) has noted that programs should not go into development unless procurers can make a sound business case; otherwise, schedule delays, cost growth, and integration issues are common. The U.S. Navy's Littoral Combat Ship (LCS) is one example of such a program, initiated without an AOA and ultimately shortened.[31] In other words, the United States may have a brighter future at balancing and deterring China, but this future is clouded by AUKUS's persistent supporters.

The second worry about strengthening Australia through AUKUS is that Australia is not committed to America's Asia-Pacific security commitments, so building up Australia's SSN fleet does not ensure those material capabilities will come to bear against China. Indeed, Deputy Prime Minister Marles has gone out of his way to clarify that AUKUS does "absolutely not" bind Canberra to the fate of Taiwan.[32] And the United States is concerned that the Australian government's reluctance to so much as discuss the use of SSNs against the PLA will harm deterrence in a conflict that does not directly impact Australia.[33]

Supporters of AUKUS claim that the United States must assume Australian support in a crisis or conflict. After all, Australia has fought alongside the United States in every major conflict since World War I. Additionally, they claim that Chinese aggression would naturally infringe on Canberra's interests.[34] These rosy assumptions ignore geography and AUKUS's Pillar II attempts to turn Australia into a bastion of defense. First, a Chinese attempt against Taiwan would not overturn the balance of power and would take place thousands of miles away from Australia. Indeed, given Australia's favorable geography (it is a large island, surrounded by water on all sides) and the current offense-defense balance (which seems to favor defenders), Canberra may even

be able to sit out a major conflict with its security intact.[35] Second, the advanced capabilities on which Pillar II focuses closely mirror capabilities necessary for Australia's offset and development of A2/AD (anti-access/area-denial).[36]

This paper makes no declaration about whether the United States should come to the defense of Taiwan. But if the United States decides to fight, Washington must be sure that its allies–and especially those allies to whom it gives nuclear-powered submarines and with whom it works to develop domestic submarine production–follow its lead. Otherwise, the United States is weakening itself without enhancing deterrence regarding its interests. That situation is a lose-lose outcome for any occupant of the White House.

The final, related, problem stemming from AUKUS's submarine component is that Australia is far away from the East and South China Seas, where a conflagration with China is most likely to break out. In this contingency, it will take time before China feels the impact of any Australian intervention. For example, one report which argues in support of the pact's submarine pillar due to Australia's significance in the Indo-Pacific balance of power admits that stationing submarines in Australia allows SSNs to arrive off China's coast hardly any sooner than if they were stationed in Hawaii.[37] Instead, it would be more advantageous to rely on Japan and South Korea due to their industrial capacity and proximity to a likely sea of battle.

Australia is unnecessary, and possibly harmful, towards a counter-balancing coalition. But external balancing by strengthening Australia is also unfeasible.

Industrial Capacity

Not only is the submarine component of AUKUS unnecessary for balancing China, but the United States also lacks the industrial capacity to see through the program. The construction of the *Virginia*-class submarine is particularly behind schedule, as production has never reached the procured annual expectation of two submarines. Instead, since 2022, shipbuilders have only produced 1.2 submarines per year. Last year brought further drastic measures: due to a struggling industrial base and fiscal caps, the Navy dropped its Fiscal Year 2025 request from two to one *Virginia*-class. Furthermore, evidence that the Navy is unlikely to maintain expected pace on new SSNs is particularly problematic given the need to increase annual procurement to 2.33 boats per year to cover the sale of submarines under Pillar I to Australia.[38]

Shipbuilding is a critical measure of U.S.-China competition, and the signs do not bode well for Washington. China has the world's largest shipbuilding industry, and one Chinese shipbuilder built more vessels by tonnage in 2024 than the United States did in the entire post-World War II period. The United States, by contrast, produces a meager 0.1% of the world's ship tonnage. Indeed, today the People's Liberation Army Navy (PLAN) is the world's largest navy by ship number (though the U.S. Navy still holds the title of largest navy by tonnage). Trends are also on China's side, as the PLAN is soon expected to double its number of battle force ships from the beginning of the 21st century, while the U.S. Navy has steadily remained under its 300-ship benchmark.[39] Specifically regarding submarines, the shipbuilding industry takes nearly twice as long today to produce SSNs than in previous decades (8-9 years versus 5-6 years).[40]

Detractors will argue that the U.S. Navy and Congress recognizes industry's failings and are working to revive production.[41] In particular, it seems as if the Trump Administration is committed to rebuilding America's shipbuilding sector, as a recent executive order ordered top advisers to create a Maritime Action Plan to identify key shipbuilding components in supply chains to increase naval capabilities in the long term.[42] This argument, however, has two flaws.

First, short-term fixes do not exist. The GAO has found that throwing money at America's shipbuilding holes has failed to stop numerous Navy programs (including the *Virginia*-class) from being over budget and years behind schedule. Shipbuilders

are failing to build because they lack physical space and workers. Recruitment and retention, however, are structural problems. Even recent investments into shipyards and workforce development have faced little review regarding their success or failure.[43]

Second, the U.S. Navy's most vulnerable moment is approaching momentarily. Although the Navy plans to grow its fleet size considerably by the 2050s, it plans to decrease its number of ships in the short term. Forty-nine nuclear attack submarines ground the fleet today, and that number is expected to decrease to 46 by 2030.[44] Over the next three years, the United States plans to decrease its overall fleet size by 13 ships. In addition, the Navy's 2025 plan departs from its 2024 plan by delaying the beginning of construction of the SSN(X) by five years. Furthermore, 33% of the current SSN fleet is undergoing or awaiting maintenance, further demonstrating the backlog that American shipyards have accumulated.[45] Anything that industry does produce should stay at home, as the U.S. Navy cannot afford to lose critical undersea vessels at this moment.

The next section will explain how the United States can leverage industry in its major East Asian allies to strengthen navies throughout the coalition. This strategy can represent both internal and external balancing by building ships for the U.S. Navy, Japanese Maritime Self-Defense Force, and Republic of Korea Navy.

Unsurprisingly, America's inability to produce at home has weakened its international commitments by increasing friction with allies and being unable to deliver on critical military materials.

The Way Forward

A focus on internal balancing and selective external engagement is an optimal mix for the United States. Specifically, three proposals should anchor America's China strategy as it relates to Australia and AUKUS.

First, the United States should de-emphasize Pillar I and center AUKUS around Pillar II. The United States cannot afford to give up its own nuclear-powered attack submarines while facing a divot in fleet size generally and in submarines in particular. Submarines in Australian hands are less reliable for U.S. policy given Australia's wavering on key U.S. commitments and its physical distance from areas of possible flare-ups.

Pillar II is also more critical for the U.S.-Australia partnership than Pillar I is, all things considered. Although Pillar I (the submarine sale component in particular) remains the flashy toy that the Biden Administration rapidly stole from French negotiators in 2021,[46] Pillar II focuses on the development of a far larger cross-section of emerging technology.[47] Because the shape of a possible U.S.-China conflict is unclear, tendencies towards breadth instead of mere depth are a good safeguard.

This is not to say that Pillar I should play no role in U.S.-Australia strategy moving forward. Although this paper argues that selling U.S. submarines to Australia is bad policy (and this is the most important component of Pillar I for Washington-Canberra cooperation), Washington should aim to maintain its agreement with Australia for basing submarines. While Australia may be void during the early days of a U.S.-China conflict, it may become important in a protracted war. Indeed, Australia could transform into a less vulnerable staging area (as fewer Chinese missiles can reach Oceania). The United States could also work to expand rotational deployments of tactical aircraft and bombers to Australia.[48]

Second, the United States should focus its material balancing internally and work with Japan and South Korea for construction where possible. As mentioned above, America's shipbuilding lags far behind China's. China represents 53.3% of global shipbuilding, while the United States reaches a meager 0.1%.

Washington cannot depart on its journey alone. Thankfully, South Korea and Japan are the second-

and third-largest shipbuilders in the world, taking a 29.1% and 13.1% share of the global shipbuilding pie, respectively.[49] Due to these American shortfalls, President Trump's attempts to revive domestic shipbuilding are well-founded.[50]

But cooperation with allies is a long time coming. Since the late Biden Administration, U.S. officials looked to South Korea as an investor in the United States. Following this signaling, South Korean companies began to purchase American shipyards and overhaul military vessels.[51]In April 2025, America's largest military shipbuilder and another South Korean company signed a memorandum of understanding to work with one another and share best practices.[52] Although these steps are critical towards getting America's shipbuilding back on its feet, Washington should work to sign a deal that can accelerate submarine cooperation and construction. Construction is only the first step, however, as Japan and South Korea can offer maintenance, repair, and overhaul work as well to lessen the strain on American shipyards.[53]

In other words, this reliance on allied construction should be the focus of America's shipbuilding efforts while Washington can bring domestic programs into line and, in the long term, increase domestic capacity. Japan and South Korea represent the best bets for the United States to adequately internally balance.

The third strategy in a reformed AUKUS is including other Asian allies and partners into Pillar II. Because submarines are expensive and few in number, AUKUS was sensible in limiting submarine transfers and construction to a small number of countries. But Washington has no reason to limit technology sharing and the proliferation of advanced capabilities, given that they enhance conventional deterrence and allow allies to remain on the cutting edge against Beijing.

Expanding Pillar II is not a foreign concept. In April 2024, AUKUS announced that it would begin consultations to engage with outside partners. Due to Asian countries' manufacturing, defense, and hypersonic specialties, it makes good strategic sense to pool resources such that the broader anti-Chinese balancing coalition might bring technological benefits to all of its members. And this is not a theoretical proposition without tangible support from home constituencies: Japan and South Korea have consistently mentioned their interest in joining Pillar II.[54] Including Japan and South Korea, at the very least, and possibly other allies and partners such as Canada and New Zealand, might also be better done sooner rather than later. Creating an exclusionary AUKUS trilateral partnership has made allies question whether the United States holds different tiers of allies, and whether Washington will abandon some friends in times of crisis.[55]

To be clear, Pillar II should not become a free-for-all. It should not represent a stage for any American ally and partner with a blip of an interest in the Asia-Pacific to performatively claim policy alignment with Washington. Specifically, Europe should spend more time planning for its own defense and less time attempting to bind itself to America's China strategy. While the British government of Keir Starmer seems committed to increasing U.K. defense spending, it should lead a front to balance Russia, impose a lasting peace in Ukraine, and reestablish deterrence.[56] Indeed, this may be the perfect timing for such an about-face for the United Kingdom: both 10 Downing Street and the Australian prime ministership have different occupants than those that signed AUKUS, lending them less personal attachment to the partnership.[57]

Blowback?

Will the United States receive blowback for revolutionizing an agreement (for the worse, many would argue) with two allies so soon after signing it? This is a legitimate possibility. Domestic quibbles aside, as Deputy PM Marles has noted, many believe AUKUS is too big to fail.

Washington should frame this decision as a win-win for itself and its allies and partners. First, this decision is in America's interest because maintaining harmony between what the United States has and what it hopes for must begin with its strategic goals. Too often, the United States has found itself obsessed

with its needs to build capabilities without an explicit conversation about what ends those capabilities ought to serve. The result between this disjuncture is often too much spending and too many conflicts.[58]

Second, being a good ally and partner means communicating and solving problems when plans go awry. Although Australia no doubt will be disappointed in its inability to purchase cutting-edge American nuclear-powered submarines, it can invest those funds into other national security measures. Additionally, Canberra will continue to receive benefits from the agreement, and the United States can aim to build more of a united front in the Asia-Pacific by including more states in AUKUS's technology sharing.

Whither AUKUS?

The People's Republic of China has been America's central national security focus, whether dated from President Obama's pivot to Asia,[59] President Trump's first National Security Strategy,[60]or President Biden's continuation of the first Trump Administration's priorities.[61]Although the Russo-Ukrainian War brings great destruction and portends a return to great power politics in Europe, China is the only country in the world that can plausibly strive for regional hegemony.

Countering China, akin to countering any other potential regional hegemon, necessitates balancing. Arming, imitating, and allying are natural behaviors in response to an ascendant great power. But a theoretical underpinning of balancing action predicts and encourages states to prioritize internal balancing and eschew hard and strong external commitments until the moment is ripe. Biting off more than you can chew–to put it more precisely, pledging multi-billion dollar submarines to a rich and advanced country when your own defense industrial base fails to build those SSNs for the home front–is dangerous policy.

Unfortunately, the United States has not followed this strategy. Washington's commitment to internal balancing has been shaky while a return to allies and partners was the cornerstone of a Biden Administration that lacked a realistic hard power plan to counter Beijing. To most effectively balance Beijing, the United States must shelve the submarine sale component of Pillar I while focusing its energies on Pillar II. In particular, Washington should build up its own defense industry, work with allies and partners where possible to build U.S. Navy vessels, and bring more allies into Pillar II.

This analysis dances around those components of Pillar I that do not involve sale of American SSNs to Australia: rotational deployment off Australia's coast and long-term Australian domestic SSN-AUKUS construction. In short, both may be good policy. Rotationally deploying American ocean-going vessels will bring needed distance to U.S. operations in South Asia and around Oceania. Likewise, promoting Australian domestic shipbuilding will allow Australia to yield its own nuclear-powered deterrent in the future without a need to rely on America.

Yet Washington should not strive to fulfill either of these two Pillar I components of Pillar I if they run the U.S. military's resources dry. This paper is based on internal balancing, so spending too much time, money, and effort on strengthening an ally thousands of miles from the fight is inefficient. In any case, this paper has focused on the submarine sale component of Pillar I because it clearly represents the largest trade-off between American and Australian power.

Evaluating Success

How would policymakers know if this change succeeds? An outcomes-oriented Indo-Pacific strategy is simple to dene: although both the first Trump and Biden Administrations aimed for a "free and open Indo-Pacific," this language in truth aims for deterrence against China and its coercive actions.[62] But focusing on outcomes is problematic for multiple reasons. First, international politics is an uncertain business, meaning that rational strategies may not always end in favorable outcomes.[63] Second, relying on outcomes as a sign of success gives too much weight to failure, if it occurs. Consider a war with

China decades from now: it would dominate the historical discourse and convince the United States that deterrence was bound to fail, when nothing could be further from the truth.

For these reasons, the United States can only extrapolate success from its own actions, and ways-means-ends harmony must be that goal. Currently, America's means do not match its ends: it either will not be able to send Australia agreed-upon submarines or will not maintain its own fleet size. On the other hand, shaving off AUKUS's Pillar I commitment would bring America's capacity (at least in the short-to-medium term, when shipbuilding is most vulnerable), its commitments, and its goals into order. In other words, shifting AUKUS and shipbuilding strategy is the first step towards a more successful Asia-Pacific strategy. With this shift, the United States should evaluate further success by latching its critical allies and partners in the region together in military construction and policy.

China has dominated and should continue to dominate thinking about U.S. foreign policy. Without important industrial and commitment shifts, the United States will approach China by underequipping itself and overpromising its allies and partners. Such is not the sign of a good friend.

AUKUS, an agreement on which the previous U.S. administration staked so much, can fail. To avoid tragedy and bolster deterrence, reform AUKUS.

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