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AUKUS Is a Good First Step, But It Needs to Go Further

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KEY TAKEAWAYS

Time is crucial in the competition with China, and the U.S. needs more capabilities than the hollowed-out American industrial base is currently able to produce.

Demand currently so far outstrips supply that collaborating with key allies to address the shortfall would have no negative effect on American industry.

For defense industrial base strategy to match national defense strategy, co-production must expand to produce the munitions needed for the Indo–Pacific.

In September 2021, the leaders of Australia, the United Kingdom, and the United States announced a plan to cooperate on their respective nuclear attack submarine (SSN) programs.[1] Known as AUKUS, the plan encompasses the sharing of nuclear-propulsion technology, hull design, port and berthing rights, and officers, as well as the selling of U.S.-made *Virginia*-class SSNs, and will eventually lead to the production of SSN-AUKUS-class submarines in the United Kingdom and Australia by the 2030s and 2040s.[2]

Overall, this is good news. Sharing innovative technology and best practices through officer exchanges with two close allies in the critical undersea warfighting domain is vitally important. The United States and its key allies need far more maritime platforms, particularly submarines.[3] Through such cooperative

efforts, the British and Australian submarine fleets will have access to the best submarine technology in the world, while the United States gains technically advanced and competent partners who are able to deter China and Russia in their respective waters. While the United States is committed to AUKUS—even to the point of pledging to sell three *Virginia*-class SSNs to Australia while it develops its shipbuilding capacity to produce SSN-AUKUS submarines indigenously—more needs to be done, and fast.[4]

AUKUS should not be an end in and of itself, but rather the model for additional cooperation. The United States and its partners not only need more submarines, but they also need more destroyers, frigates, aircraft, long-range precision-strike munitions, and even basic conventional artillery shells, if they are to deter their adversaries from further acts of aggression against key allies and partners.[5]

The Need

Much has been written on the need to build more shipyards, so that the United States can expand its naval fleet—particularly when it comes to frigates and destroyers critical to deterring aggression in the Western Pacific.[6] Indeed, the U.S. ability to produce ships is so stressed that shipbuilders are pulling welders from the *Virginia*-class to work on *Columbia*-class ballistic missile submarines.[7] As a consequence, the rate of production of *Virginia*-class submarines has fallen from three boats a year to two.[8] Meanwhile, the limited number of dry docks that can service submarines means that an unprecedentedly high number of American attack SSNs are not on active patrols as they await servicing and maintenance.[9] In many cases, shipyards are taking years to do significant repairs on damaged ships, due to lack of shipbuilding and ship maintenance capacity.

At the end of the Cold War, the U.S. shuttered the majority of its active shipyards, and too few now remain to meet the demands of the Navy—thus compounding the problems mentioned above when it comes to ship maintenance and repair.[10] As Heritage Foundation experts and others have written, the U.S. needs to expand shipyards here in the United States, including by using companies from closely allied nations to build ships in the United States, which would both expand capacity for the U.S. Navy and invest in the American defense industrial base.[11] The U.S. already does this to a limited extent—Italian shipbuilder Fincantieri, for example, is currently building the new *Constellation*-class frigate in Wisconsin.[12] The most likely additional candidates for expanded production by allied countries here in the United States would be South Korea and Japan, who together comprise 40

percent of the world's shipbuilding and have a strong incentive to support the growth in capacity of the U.S. Navy.[13]

Meanwhile, allied demand for the F-35, the fifth-generation fighter that is the backbone of the U.S. Air Force, outstrips America's ability to build the plane. More allied nations ordering the aircraft is a good thing—it increases allied capability, which serves as an important force multiplier should the United States find itself in a war leading a coalition of nations against an aggressor, and it reduces the per-unit cost for the American taxpayer for what is roundly regarded as the best fighter plane in the world.[14]

However, Lockheed Martin, the producer of the F-35, cannot produce enough aircraft to meet demand.[15] The company is essentially at capacity—meaning that the United States and its allies will continue to fly aged, fourth-generation fighter planes until Lockheed Martin can produce enough F-35s to modernize the free world's air forces. And, as a recent congressionally mandated commission noted, the United States desperately needs more bombers (particularly the next-generation bomber B-21 Raider) and the accompanying air-refueling tankers, if it is to deter China and Russia from greater aggression.[16]

In addition to platforms, such as submarines, surface warships, tanker aircraft, and fighter aircraft, the United States Armed Forces desperately need additional munitions—bombs, air defenses, missiles, and even "dumb" artillery shells. Due to 20-plus years of operations in the Middle East, combined with U.S. support to Ukrainian armed forces, the United States military is woefully short on munitions. Indeed, when President Joe Biden sent cluster munitions to Ukraine, it was because the United States was so low on unitary artillery rounds that the only thing it could send were cluster munitions.

Similar weapon shortages exist throughout the forces. Some wargames estimate that the United States would be out of certain air-launched precision-strike munitions within days of a conflict with China,[17] that missile defenses in the Western Pacific would be exhausted within hours in such a conflict, and that the U.S. only has enough torpedoes for an extremely limited salvo in any kind of conflict.

In short, U.S. magazines are nearly empty, and the nation cannot replace these munitions anywhere near the rate of expected use in combat.

The Solution

Demand far outstrips supply in the defense industrial base, especially when it comes to munitions. Undersecretary of Defense for Acquisition

and Sustainment Bill LaPlante has stated that the demand so far outstrips supply that there would be no adverse effects to U.S. industry were the Department of Defense (DOD) to dramatically expand the overseas production of American munitions.[18] Already, in 2023, the U.S. and Australia decided to co-produce Lockheed Martin's Guided Multiple Launch Rocket System (GMLRS) in Australia. The DOD is looking at bringing in allies and partners at every stage of weapon production. According to Undersecretary LaPlante: "Where we're headed is co-development, coproduction, and co-sustainment with our partners."[19]

The U.S. is looking to expand production in Europe, but the co-production plans are currently emphasizing munitions most relevant to the ground war in Ukraine and less relevant to the primarily air and sea war that would be fought were conflict to erupt in the Indo–Pacific. For the defense industrial base strategy to match the national defense strategy, this co-production must expand to produce the munitions needed for the Indo–Pacific, and Japan and South Korea should be at the top of the list of countries licensed to co-produce. The DOD will need to especially prioritize joint air-to-surface standoff missiles (JASSM), long-range anti-ship missiles (LRASM), and advanced capability (ADCAP) torpedoes both for co-production overseas and for domestic production.[20]

Production of these missiles within the U.S. is currently inadequate. For example, for fiscal year 2024, the Air Force plans to buy a mere 27 LRASMs, and the Navy is buying only 91.[21] The annual purchases of other critical munitions, such as the JASSM, the SM-6, Tomahawk missiles, and MK 48 torpedoes, is similarly anemic.[22]

This is partly the fault of Congress, especially as appropriators have failed even to appropriate the total amount that was authorized for munitions production last fiscal year. However, the Pentagon itself is the entity most capable of fixing the problem. For all its faults, Congress generally authorizes the requested munitions numbers that the Pentagon gives it. The issue is that the munitions requirements being sent up by the services are far short of what the U.S. military would need to fight and win a war with a near-peer adversary.[23] Instead, it seems that military planners base their requirements lists on the numbers needed for training exercises—that is, the bare minimum. Pentagon planners seem worried to request a massive increase, as the failure for the requirement to be met would be seen as a failure. Instead, the Pentagon submits low requirement numbers, the requirement is fulfilled, and the Pentagon congratulates itself for having met its goal. To fix this problem, the Pentagon will need to submit a far larger munitions requirement that is based on planning for an Indo–Pacific

contingency and take the risk that Congress will not fulfill the requirement.[24] At the very least, this would lay bare the inadequacies of the current numbers and put the onus on Congress to increase support.

As Mackenzie Eaglen of the American Enterprise Institute and others have noted, co-production with close allies has a proven track record of success and could offer solutions to U.S. munitions shortfalls.[25] During the Cold War, the U.S. co-produced AIM-9 Sidewinder missiles with West Germany, which both boosted the stockpiles of one of America's closest allies (alleviating the strain on U.S. resources) and led to significant design improvements and cost reductions across the board. America and Japan have likewise worked together to co-produce the SM-3 as the key component of both American and Japanese ballistic missile defense.[26] Expanding the number of missiles available for co-production by allies would similarly improve munition capacity overall and lower costs across the board.

Recommendations for the U.S. Department of Defense

What, then, should the Defense Department do to improve its capacity to build the platforms and munitions it needs? It should:

- **Work with the U.K. and Australia to open one additional new shipyard in both countries to build attack submarines.** The additional shipyards would not only build additional SSNs for the Royal Navy and the Royal Australian Navy, but they could also build *Virginia*-class or even *Virginia*-replacement-class subs for the U.S. Navy. Australia, whose newest defense budget should be released in April, needs to show continuing and increased financial commitment to submarine co-production in this budget to maintain support for AUKUS in the United States.[27]

- **Contract the production of conventional artillery rounds with South Korea and Poland.** South Korea and Poland have developed robust defense industrial bases capable of producing significant amounts of munitions.[28] Given the lessons of Ukraine, which continues to see Ukraine and Russia expend enormous amounts of artillery rounds, and given the fact that the United States only produces 3,000 rounds of 155-mm rounds per month, the United States needs far greater production capacity for simple artillery rounds.[29]

- **Open new production lines for munitions relevant to conflict in the Indo–Pacific by licensing the production of these missiles to allies—especially Japan and South Korea.** Japan and South Korea need precision-guided strike munitions, and so does the U.S. Licensing these munitions can fill this gap.

- **Establish licensing agreements for shipyards in South Korea to produce other U.S. systems, up to and including warships.** The U.S. is behind on all its shipbuilding goals and cannot meet the ship requirements set by Congress and needed for the Pacific on its own. South Korea has a massive capacity for shipbuilding and can fill this gap.[30] As with munitions, demand outstrips supply and U.S. industry would not suffer so long as the DOD kept the demand the same or increased it.

- **Alert Congress and the public to the extent of the problem by being brave enough to submit a far larger munitions requirement** based not on annual training exercise needs, but on the expected expenditure rates during a conflict with a near-peer adversary in the Indo–Pacific. The fault for this gap is not entirely the Pentagon's, but the Pentagon is in the best position to offer a solution.

Conclusion

The defense industrial base as it currently stands is not up to the challenge of building a military capable of deterring China in the Indo–Pacific. The problem is pressing, and with each passing year the extent and immediacy of the problem grows bigger. The solution is twofold: The U.S. must expand the defense industrial base here at home, and it must expand defense industrial base collaboration with its closest allies.

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