

Protecting Australian Maritime Trade: The Findings of the 2019 Goldrick Seminar



**Australian Naval Institute
&
Naval Studies Group
University of New South Wales (Canberra)**

Acknowledgements

This report is based on presentations given at the 2019 Goldrick Seminar. The speakers were:

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- Air Vice Marshal John Blackburn AO (retired) – independent consultant
- Commodore Matt Buckley CSC RAN – Director General Maritime Operations.
- Ms Miesje de Vogel – Australian War Memorial.
- Vice Admiral Peter Jones AO DSC RAN (retired) - Australian Naval Institute
- Commander Stephen Lenik RNZN – New Zealand High Commission
- Ms Teresa Loyd, CEO Maritime Industry Australia.
- Mr Robert McKinnon – Department of Foreign Affairs & Trade.
- Professor Rob McLaughlin - University of NSW (Canberra)
- Vice Admiral Michael Noonan, AO, RAN – Chief of Navy.
- Commodore Rod Nairn AM RAN (retired), CEO, Australian Shipping Limited.
- Captain Philippe Petididier FN – French Embassy
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All presentations are available on YouTube at:

<https://www.youtube.com/playlist?list=PLLY36E3-1932-Z27PYU59lpy-bKulicN7>

This report was compiled through the efforts of Lieutenant Commander Mark Bailey, Commander Alastair Cooper, Vice Admiral Peter Jones and Lieutenant John Nash.

Background

1. The 2019 Goldrick Seminar was held on 18 September 2019 at the Australian Defence Force Academy. The Seminar was convened by the Australian Naval Institute (ANI), the Naval Studies Group of the University of New South Wales (Canberra) supported by the Seapower Centre - Australia and the Submarine Institute of Australia. The topic was *Maritime Trade and its Implications for Australia's Defence*. The Keynote Address was given by the Chief of Navy, Vice Admiral Michael Noonan. Speakers were drawn from senior levels of Defence, academia, and industry. This report outlines the key findings of the Seminar.

The Nature of Australian Maritime Trade

2. Since the first European settlement Australia has been dependent on maritime trade for both sustainment of its society (sea supply) and export earnings. In recent years as a result of the rise of globalization and the decline of local manufacturing, the dependence on imports to maintain an increasingly complex society has grown markedly. Due to these factors maritime trade is more important to Australia than any time since the arrival of the 1789 Second Fleet bringing much needed food to Sydney.

3. While the importance and vulnerability of Australia's petroleum imports have gained some prominence other imports, such as fertilisers and many manufactured goods, are equally critical. Australia's exports are worth about \$314b annually, of which 57% by value is from mining¹. Text Box 1 encapsulates some of the key facts and figures of Australia's maritime trade.

Australian Maritime Trade: Facts & Figures

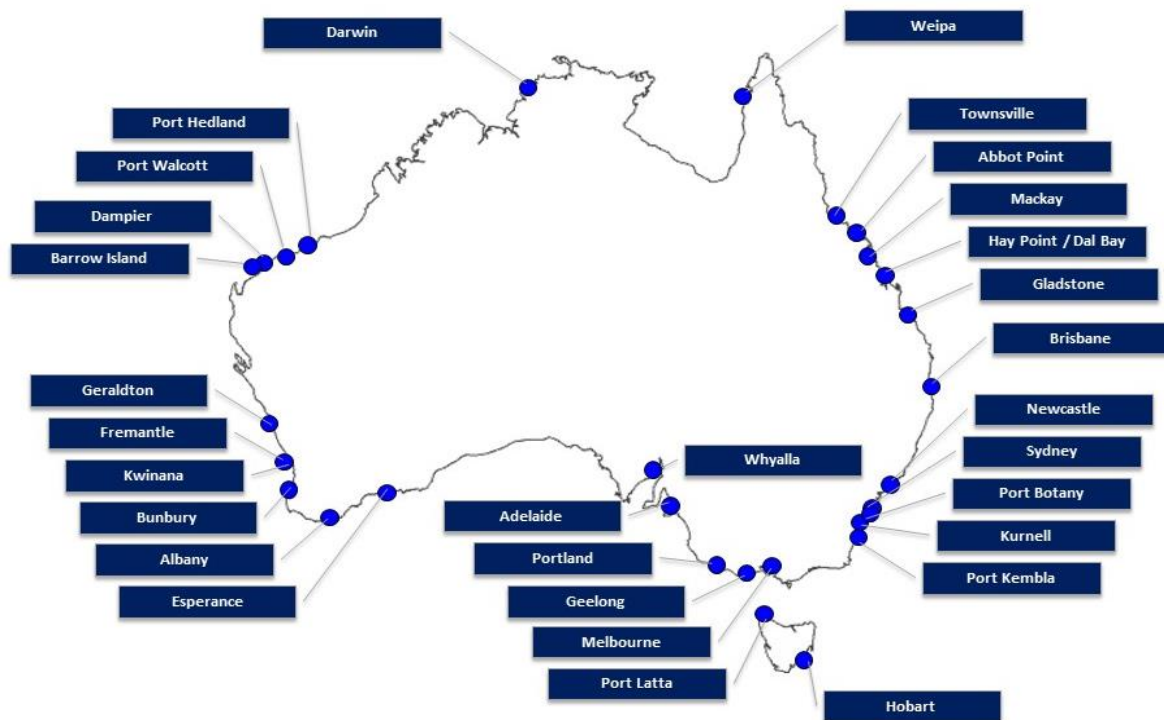
- Australia is the 5th largest user of shipping services in the world.
- Over 99% Australia's imports & exports by volume & over 79% by value are dependent on shipping.
- In 2017-19 the combined value of Australia's seagoing international imports & exports was over \$600 billion.
- 5,879 ships made a total of 32,801 port calls at Australian ports in 2016-17. These included 5,743 cargo ships which made 17,068 voyages to Australian waters from overseas ports.
- The total port calls by ships in 2011-2017 increased by 4.2% per annum, while port calls by ships from overseas increased by 4.8% per annum.
- In 2016 10 Australian ports accounted for 88% of seaborne export cargo.
- In 2016, the cruise industry had the largest annual rise in passengers on record, with an increase of 21% to over 1.34 million passengers.

Text Box 1

¹ *Characteristics of Australian Exporters 2017-2018*. Australian Bureau of Statistics.

4. In times of strategic instability the challenge for Defence would be identifying what shipping is of critical importance for protection and allocating sufficient assets for their protection. In some scenarios this trade may be, in part, protected by Coalition partners, but in other situations they would require end-to-end protection.

5. The latest analysed figures for Australian Maritime Trade (and Sea Supply) are for the 2013-2015 base period. There are over 70 Australian ports engaged in foreign trade. Thirty ports are responsible for 90% of vessel trade and traffic. These are detailed in the diagram below.



6. **Exports:** Over the base period, total exports (tonnes) of all commodities grew from ~1.1 billion tonnes to ~1.3 billion tonnes. A year-on-year growth (2013-2015) of 16% and 6% respectively.

7. **Imports:** In the latest Australian Bureau of Statistics figures (2015) the total imports amount to about \$300 billion annually. In order of financial importance they were manufactured goods, transport equipment, chemicals and fuel.²

8. **Fuel Imports.** Three of the seven Australian refineries closed during 2013-15. Imports of petroleum products increased from ~10m tonnes to ~18.6m tonnes to offset the decline of domestically refined products. This has opened a serious strategic vulnerability for Australia.

2 Australian Bureau of Statistics Report 5439.0, International Merchandise Imports, 2015.

Traffic Patterns

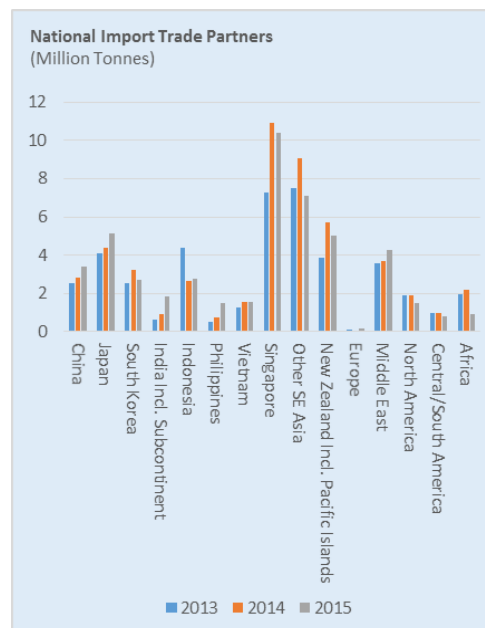
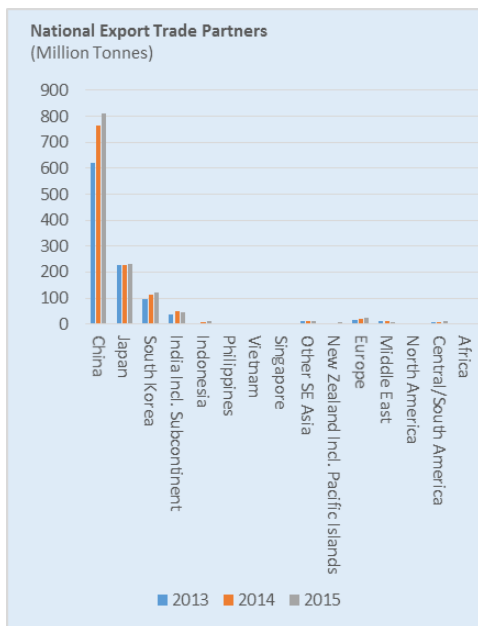
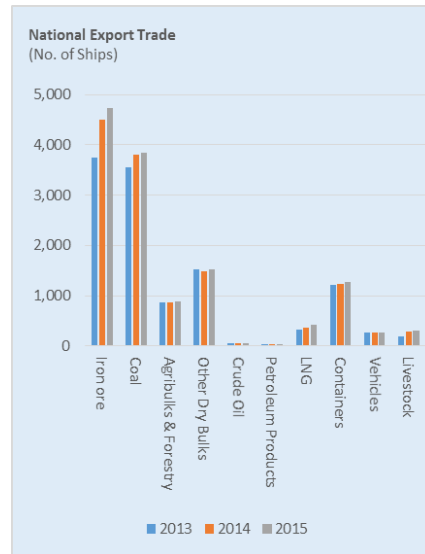
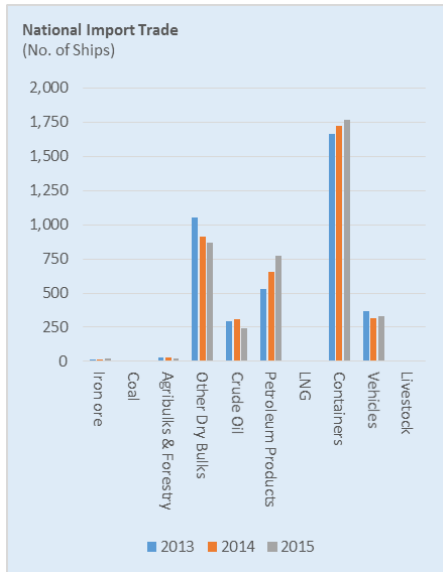




Diagram 1: Trade Patterns

Trade Patterns 2012

9. In Diagram 1, note the dominance of Australian dry cargo trades (in blue) with the liquid hydrocarbons trade (in red) from the North-West Shelf and just commencing out of Gladstone. LNG dominates both trades.

10. The container trades (in yellow) can be seen coming on from the Suez-Canal/Red Sea and from the Sunda Strait. Singapore is the local Container Hub Port and it feeds the Australian 'Spoke Trade'. The container trade from the Australian east coast to the Pacific region is clearly shown. The Japan-Australia vehicle trade (in purple) can just be discerned, it runs direct Japan-Bismarck Sea-Jomard Passage-Australian east coast. The new Gladstone LNG trade also follows this route. About 40% of Australia export trade goes via the South China Sea, about \$110 billion per annum.

Maritime Trade Resilience

11. Australia is particularly vulnerable to disruption of its essential sea supply. Australia's crude oil resources are small by world standards and depleting at a faster rate than they are being replenished by discovery. Australia's transport fuels import dependency grew from around 60% in 2000 to over 90% by 2013.

12. Between 2012 and 2015 there was a 42% loss in Australia's refining capacity when three refineries were closed leaving just four refineries in country. Australia has not met its' stockholding obligations of 90 days of "net imports" under the International Energy Agency (IEA) members agreement, since 2011 (see Figure 1). While Australia has negotiated access to US stocks in an emergency, these physically remain in the continental US with their practical access problematic and arguably would not constitute a strategic reserve in practical terms.

13. Australia's vulnerability extends beyond liquid fuel stocks, with fertilisers as well as other goods vital for Australia's survival³. The topic of resilience is one that requires further investigation. There is insufficient research and data on Australia's maritime trade resilience, in all areas such as the stock levels of various goods (especially liquid fuel and phosphates), skills, mobilisation, and ADF resourcing for trade and port protection.

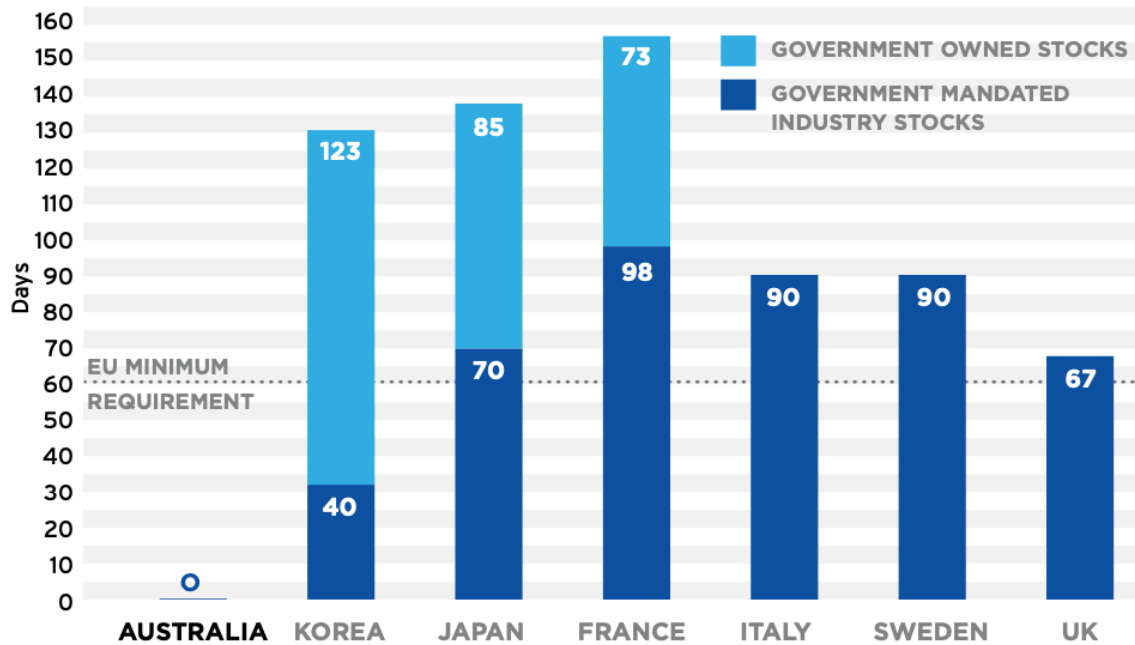


Figure 1: Comparison of Australia versus select Asian and European nations of Government mandated stockholdings of oil/fuel

14. An analysis of Australia's critical imports should form a basis for developing strategies to mitigate these risks. This is most readily seen in the energy sector where local petroleum production, increased use of rail, transition to electric, LPG and hydrogen vehicle propulsion would reduce imports and the resultant number of ships to be escorted.

15. A key issue is how Australia would mobilise its Defence and civil organisation in the event of major conflict interrupting maritime trade. A concern, raised by Maritime Industry Australia is that the national maritime industry is small and becoming smaller. This restricts the pool of potential mobilisation assets – both in terms of ships and personnel. On the military side, there is little research on how the ADF would mobilise to defend maritime trade, be it in near or distant seas, or even in Australia's ports.

16. On the issue of Australia's civil maritime sector, Maritime Industry Australia has painted a bleak picture of the state and the future of this industry. It is hard to pin down the size of Australian merchant fleet, but there are about thirteen ships useful for international trade and none of them are LPG, fuel, heavy lift, container or passenger vessels; the most useful types of ships that would need to be mobilised in a wartime situation. In addition, there are not enough qualified mariners in Australia and the situation is only getting worse, highlighted by the Maritime Industry Australia stopping attendance at job fairs eight years

³ Australia is almost entirely dependent on imported fertilisers and in the lead up to World War II the RAN was instrumental in the stockpiling of the commodity. See Jones, P.D. *Australia's Argonauts: The remarkable story of the first class to enter the Royal Australian Naval College*, Echo Books, Geelong, 2016, p. 265.

ago because they did not want to provide false hope to people about almost non-existent job opportunities in the Australian maritime industry.

17. This decline in the Australian flagged fleet has been largely the result of uncoordinated Government policy settings in areas of shipping regulation and taxation that have had the unintentional effect of decimating the registry. A side effect of this situation, which has savaged coastal shipping, is that like in pre-Federation years, it is often it is cheaper to import goods from overseas than from interstate. Other high wage nations such as the Nordic countries have shown that through correct policy settings an appropriately sized Fleet can be fostered. Even Switzerland has a larger merchant fleet than Australia.

18. Beyond the mobilisation benefits of having a strengthened merchant fleet, an Australian merchant fleet of an additional 20 ships would strengthen Australia's economy to the tune of some \$200 million per annum and 900 jobs. Even such a small fleet as this would provide a higher degree of resilience for Australia⁴.

19. Therefore, unlike most if not all other maritime nations, Australia is not now and unlikely in the short term to be self-sufficient in maritime trade. This has implications for the disruption of trade in times of tension and in war. Australia cannot requisition a merchant fleet. This has implications for potential ADF operations in war but even in peacetime, where large-scale regional disaster relief efforts would be unable to call upon significant numbers of civil shipping, meaning that such operations would be entirely reliant on the Navy, with flow-on effects for concurrency tasking.

20. On the issue of maritime trade resilience, Australia faces a potential economic problem that could rapidly become an existential one. The flying hours for the combined Exercise *Pitch Black 2019* had to be curtailed because of aviation fuel shortages. This was due to a four day delay in the arrival of a tanker in Darwin. Arguably, Australia's sea supply is clearly vulnerable if it is unable to provide fuel for a peacetime exercise, and one planned years in advance. This has profound implications for Australia's liquid fuel security in a time of crisis or war. This issue highlights that there is not enough research on the resilience of Australia's liquid fuel security, or indeed of overall maritime trade, and how it could be improved.

Global Nature of Trade

21. By its nature maritime trade to and from Australia is global in its reach. This has two implications for Australia. The first is the guarantee of sea supply requires protection not only in Australian waters, but also on the high seas and in the waters of other nations. How the necessary protection can be provided and the role of the ADF in this effort is a complex issue. The Strait of Hormuz is a topical case in point (see Text Box 2).

22. The other issue relates to the strategic importance of Australian exports to other countries. Some commodities, such as LNG, are critical for the maintenance of their societies. For example Australian LNG (north west coast ports and Gladstone) is critical for Japanese and South Korean baseload electricity generation. For example, if the WA originated supply had to be re-routed via the Makassar Strait, due to a closure of the direct route, roughly a quarter of carrying capacity would be lost. If rerouted via the Torres Strait and Bismarck Sea the loss would be about 50%. This would require the size of the LNG tanker fleet to be doubled to lift today's tonnages of LNG. The loss of access of the South China Sea would be significant for Japan and catastrophic for South Korea.

⁴ Presentation by Ms Teresa Loyd, CEO Maritime Industry Australia, 2019 Goldrick Seminar.

23. The manner in which such strategically important trade can be protected may require bi-lateral defence arrangements which would also impact on the ability of the ADF to protect Australia's own vital sea trade requirements.

Distant Flashpoints – Strait of Hormuz

The Strait of Hormuz is a true maritime choke point – it is the only maritime route into the Arabian Gulf, so unlike other routes (Malacca etc.) there is no going 'the long way' in the event of a disruption.

Since the 1980s and the Iran-Iraq War and consequent 'Tanker War', the Strait of Hormuz has required intervention and monitoring in order to keep it open to maritime trade, in particular, the flow of liquid energy.

About 20.5 million barrels per day of crude oil pass through the Strait, which is approximately 34% of global crude exports. 3.1 million barrels per day equivalent of Natural Gas pass through the Strait, representing 33% of the global LNG market and 45% of global LPG market.

This is important because not only does Australia source refined petroleum that originates in the Gulf, but also because the majority of oil flowing through the Strait of Hormuz is destined for the Asia-Pacific region and Australia's largest trading partners. Any serious interruption to the flow of oil from the Strait could have a detrimental affect on regional economies and thus on Australia's trade and economy.

The Strait of Hormuz example is merely the easiest and most used example of how maritime trade protection – far from the shores of Australia – is of vital importance to both Maritime Trade and Sea Supply.

Text Box 2

Ports

24. Ports are a critical part of the maritime trade structure and one of the most vulnerable parts of the system. Just ten ports accounted for 88% of Australia's seaborne exports in the year 2016-17. Newcastle and some of the ports in the Pilbara and Gladstone are of global significance. Following privatisation programs most of the ports are operated by private entities. Text Box 3 highlights the amount of strategically important exports to other countries just from one of the privatised ports - Dampier.

25. In terms of container traffic, Singapore and Melbourne have particular strategic significance. As previously noted Singapore is the nearest hub for large container ships to transfer loads to smaller ships for the Australia-New Zealand routes. If access to Singapore was lost then the nearest other hubs are Colombo, Kelang, and Tanjung Pelepas. There are others in ports on the South China Sea.

26. In Australia only the port of Melbourne could receive the larger 300m Panamax container ships that supply hub ports. Under Melbourne's *Port Development Strategy 2050* the larger New Paramax and possibly the Ultra Large Container Vessels will be able to be received⁵. Singapore is also vitally important as a source to Australia of refined petroleum products.

5 <https://www.portofmelbourne.com/facilities-development/port-development-strategy/>

Undersea Cables

27. An enabler to maritime trade and the national economy more generally are the Australia's vital undersea communications cables. They carry over 95% of the telecommunications traffic. There are fewer than five entry/exit points on the continent. They operate in a very poorly regulated legal regime. They are vulnerable to interference at their shore interface, in coastal waters and at sea. More data is needed on the vulnerabilities of undersea cables.

Port of Dampier - Key 2015 Statistics

- 144,460,700 tons in 827 ships (avg 174,680t/ship).
- 745 ships to China (via South China Sea) with 129,551,700 tons.
- 59 ships to Japan (mostly via Lombok/east of Philippines) with 10,406,000 tons.
- 22 ships to South Korea (mostly via Lombok/east of Philippines) 4,433,000 tons.
- Of the 47 oil tankers with 3,376,250 tons of crude, only 5 with 337,625 tons went via South China Sea.
- 308 LNG tankers with 20,801,099 tons of LNG.
- 249 ships with 16,586,035 tons to Japan and South Korea via Lombok & east of the Philippines.
- 57 ships with 4,073,506 tons to China via the South China Sea.

Text Box 3

KEY ISSUES

Knowledge and Awareness

28. In grappling with the issue of the importance of Australian maritime trade and its protection a deeper knowledge of the issues and increased awareness is required within Government, Defence and the broader community.

29. In terms of better understanding the issues there is a range of potential studies and contingent planning that could be undertaken. These could be undertaken by a range of entities such as the Seapower Centre Australia, universities, the non-degree stream at the Defence and Strategic Studies Course and Headquarters Joint Operations Command.

30. Some work has been done as evidenced by the Navy Force Development coastal shipping studies in the 1980s and more recently Sea Power Centre – Australia's commissioned research on Australia's ports. But a more detailed examination of ports is required as part of the maritime trade system. This data could be used by Navy and Defence planners to develop contingencies for all manner of possible disruptions to Australia's port system. This would be especially useful in outlining potential requirement for resourcing. Available harbour defence assets would be inadequate in the event of even moderate disruption to Australia's ports, especially considering that most of the top ten ports in Australia are geographically quite remote from the RAN's fleet bases in the east and west.

31. As regards awareness and education a sustained suite of workshops, briefings and other functions that bring together interested parties would help provide a foundation for action. It will be important to then explain the 'so what' to Australians if their maritime trade

is interrupted. There would be rationing and price rises in the vast majority of imported goods. There would also be economic impacts of a curtailment in the export trade. Air Vice Marshal John Blackburn's fuel studies have gained some traction in the media and with the general public, but there is less awareness about other trade flows.⁶

Strategy and Policy

32. The issue of Australia's dependence on sea supply and the strategic importance of Australia as a critical supplier of LNG to some countries in our region is not canvassed in the *2016 Defence White Paper*. Indeed while 'free and unfettered trade' is mentioned the issue of protection of sea trade is not. Also noteworthy is the failure to mention the centrality of Singapore to our sea supply of oil and manufactured goods.

33. The absence of any focus on trade protection is reflected in the force structure. The promulgated force structure is demonstrably insufficient for the protection of both Australia's sea supply and its partial defence of sea supply from Australia and critical to our Allies. For example as noted in the data above about 1,700 container ship movements occur annually to Australia. The Defence White Paper is also silent on the need to protect Australian ports and their approaches as well as vital infrastructure such as undersea cables.

34. Maritime trade protection is not just the remit of the ADF alone, rather it is a whole of government issue, involving multiple agencies, as well as the private maritime sector. There are multiple stakeholders, who often do not fully understand what other relevant agencies or organisations are doing in the realm of maritime trade.

35. The Home Affairs's *Profiling Australia's Vulnerability Report*⁷ provided conclusions, relevant to maritime trade and maritime security. It noted that Australia's biggest vulnerabilities are the intersections and interdependencies in the systems that support society in this country from local to global levels. Australia needs to understand the consequences of past and present decisions that can have the perverse consequence of building in more vulnerability.

36. The 'trust in the market' approach to governance, risk and resilience adopted by successive Australian Governments has, at the core, a drive to the lowest price. There is little evidence of any in-depth analysis of the national security implications of freight, shipping and the wider maritime trade system. Maritime trade, and the complex and interconnected system that underpins it, is a national security issue.

37. There is a need for an integrated maritime trade risk analysis, but where should the responsibility sit for undertaking such an analysis? There are a multitude of players: Navy, ship owners and operators, port managers, the unions, importers and exporters, and clearly, the Government, to name but a few.

38. The first question that should be asked is: What sovereign capabilities must Australia have in order to be resilient in this rapidly changing world? The answer to this question goes to the military concept of 'preparedness'. Would the ADF go into combat without having trained, without being fully equipped, without understanding the mission, the enemy, and what the outcome was expected to be? This is preparedness. It is not fanciful, it is not esoteric, it is not an over-reaction to be prepared for eventualities. The world is a difficult, dynamic and increasingly dangerous 'marketplace'. Australia needs to be resilient to withstand interruptions and disruptions if, and when, they occur.

6 A precis of the Air Vice Marshal John Blackburn's study is at *Australian Naval Review* 2/1019, *Maritime Trade Dependencies and Risks*, pp.29-42.

7 <https://www.aidr.org.au/media/6682/national-resilience-taskforce-profiling-australias-vulnerability.pdf>

39. At a whole-of-nation level, the framework for our preparedness should be a National Security Strategy. And at the heart of a National Security Strategy, should be a Maritime Trade Strategy. Today, in Australia, neither exist.

40. **A Strategy Led Approach.** In developing a strategy-led approach to reducing Australia's strategic sea supply risks, the example of the UK's Committee of Imperial Defence in the inter-war period is instructive. This is shown at Annex A. Essentially, all identifiable risks to the maintenance of the UK economy and potential war effort were assessed and mitigation strategies identified and implemented. *The Memoirs of General Lord Ismay* are most revealing on this subject and include an outline on the sub-committee structure and how it evolved⁸. This structure provided the basis on which Britain prepared for World War II. It has clear application to contemporary Australia. A contemporary Australian approach would require the leadership of the National Security Committee of Cabinet with the Department of Prime Minister and Cabinet orchestrating the sub-committee structure.

Maritime Trade Organisation

41. First and foremost, more can be done to utilise and better integrate the Maritime Trade Organisation (MTO) Branch within the Navy and the defence organisation. Through their work the MTO Branch is an invaluable interface with merchant shipping associations, companies and mariners. There is however a lack of broad awareness within Navy and the wider ADF of MTO Branch's capabilities. The Navy has an extant MTO doctrine, and this should be better leveraged by Navy and Defence planners.

42. As for the MTO organisation itself, there is an issue inherent in the operating model whereby the very knowledge and experience they bring lies in the extent of their interconnectedness with industry. This can make it difficult for their personnel to do more than 20 days a year in uniform. This warrants investigation, such as more formal Navy-Industry secondment arrangements. Their greater presence within the Defence would help grow Australia's ability to protect maritime trade.

Insurance

43. In any major crisis, an early issue will be war risk insurance. A regional conflict could make the South China Sea a war risk zone and marine insurance may be unaffordable there. No company will sail into a conflict zone without full war risk insurance, meaning Australia will have to implement War Risk Insurance schemes just as it did in 1914 and 1939. This may have to be implemented in a financially chaotic world, for as with the first globalisation in 1914, a major conflict may cause the immediate disruption of international credit markets. This may lead to a large percentage of global carrying capacity vanishing. Governments will have to requisition ships for both military requirements and ships for sea supply. It will be difficult if not impossible for Australia to requisition sufficient ships.

Mobilisation

44. The issue of mobilisation is gaining more attention. This is especially pertinent when discussing the need to mobilise a fleet, both civil and military. Would it be possible to 'up-gun' current and planned naval assets? Does the existing and planned Fleet have enough assets to protect shipping in near and far seas? The assumptions made in the *2016 Defence White Paper* about naval asset types and numbers should be revisited in order to determine whether or not the RAN has the assets necessary to protect Australia's maritime trade and sea supply.

⁸ *The Memoirs of General Lord Ismay*, Heinemann, London, 1960.

Maritime Trade Protection

45. The RAN developed coherent trade protection plans in the interwar period and during the Cold War. Prior to World War II the key elements of trade protection were:

- Installation of port defences such as indicator loops, booms and contingency plans to arm small civil craft.
- Development of corvettes, minesweepers and converted trawlers for coastal anti-submarine and mine countermeasures operations.
- Procurement of cruisers to protect trade from surface attack with destroyers and frigates commissioned to counter the submarine threat.

46. Of particular note was the 1938 Navy Office assessment that the task of trade protection was beyond the size of the Australian Naval Squadron. The then Captain John Collins wrote a minute titled *A Plea for Smaller Sloops in Larger Numbers*. It was concluded 42 such ships of local, robust and simple design were needed. This resulted in Australia's largest and most successful warship program, the Bathurst class corvettes⁹.

47. During World War II the Australia's first joint (called Combined at the time) operational intelligence centre was established in 1940 to counter the German raider threat to sea trade¹⁰. A convoy system was also subsequently instituted on the Australian Station. During the war Australian merchant shipping was subjected to surface, air, sub-surface (including mining) attack.

48. During the Cold War, Australia's maritime forces' priority was to protect trade from the Soviet submarine and maritime air threat. At sea, the focus of the South East Asian Treaty Organization (SEATO) maritime exercises was trade protection and Australia sponsored the 'Albatross' series. In developing the force structure, operations research used the Soviet submarine force as the dominant threat. The *1971 Destroyer Numbers Study* is an example of this work. It used various scenarios including trade protection to determine a fleet which included 17 destroyers.¹¹ During this period the RAN was orientated in large measure to anti-submarine warfare (ASW). This was reflected in considerable resources allocated to indigenous ASW capabilities such as the Ikara missile, the Mulloka sonar and the Barra sonobuoy programs. The RAN Research Laboratory¹² developed a comprehensive operational analysis capability of RAN exercise system performance. Also in this period RAN further developed the naval control of shipping capabilities within a global naval co-operative context.

49. During the two world wars convoying regimes were instituted and continued to be practised in the Cold War. The rationale for convoying is that a convoy reduces the areas of ocean that a merchant vessel can be located, and where they are, they should be adequately protected.

50. In subsequent conflicts such as the Iran-Iraq tanker war and the 2003 Iraq War strategically important merchant shipping was escorted. In the 2003 conflict some ships had embarked armed detachments. In anti-piracy operations off the Horn of Africa, a protected sea lane technique was applied.

9 Jones, P.D. *Australia's Argonauts: The remarkable story of the first class to enter the Royal Australian Naval College*, Echo Books, Geelong, 2016, pp. 263-264.

10 Ibid, p.387.

11 Stevens, D.M. *The Royal Australian Navy, The Australian Centenary History of Defence, Volume III*, Oxford University Press, Melbourne, 2001, p.218.

12 RANRL was incorporated into the Defence Science Technology Organization.

51. In future conflicts a variety of measures, including convoying, may be required. This may be driven for no other reason than the number of ships requiring protection. This requires the development of doctrine and tactics.

52. The strategically important Australian ports and their approaches lack any fixed or dedicated defence assets and are vulnerable to mining and asymmetric disruption. Analysis would be required as to the level of required protection.

International Perspectives

53. **The French Approach.** France's approach to protecting their maritime interests provides an interesting counterpoint. While part of the NATO it also has global national interests. Consistent with the mantra of the French Navy being 'the global local Navy' is the basing of lower capability frigates at various French possessions around the world. In the context of trade protection these frigates, supported by maritime patrol aircraft, provide a trade protection capability in addition to their constabulary role.

The New Zealand Approach

54. New Zealand is the 74th largest country in the world and the 9th largest EEZ at over 4,000,000 km.² This is 15 times the area of New Zealand's land mass. New Zealand also has claims to a large Extended Continental Shelf. This extends New Zealand's direct protection responsibilities still further in this 'maritime estate'. New Zealand also has SAR responsibilities within NAVAREA XIV of over 30 million Km² which covers over 20% of the Pacific Ocean.

55. New Zealand's commitment to nurturing multi-lateral defence relationships is through an appropriate regional architecture, adopting sustainable and fit-for-task initiatives, underpinned by international rules & norms. Operationalising initiatives such as the Pacific Fusion Centre, Indo-Pacific Maritime Coordination Cell, and introducing robust autonomous systems, resilient to cyber threats is vital. There will always be a place for gun-boat diplomacy, thus making New Zealand's presence seen and felt as a matter of routine in periods short of conflict, such as through routine patrols or contributions to Task Force 150.

IMPLICATIONS FOR THE RAN

56. The 2019 Goldrick Seminar on *Australian Maritime Trade* highlighted the following implications for Defence:

1. Australia has a critical dependence on maritime trade for both sustainment of the national society and for generation of wealth. This trade is also important for the sustainment of Japan and South Korea.
2. Over recent years the existing regulatory and legislative regime (including tax) has decimated the Australian shipping register. This limits options for requisitioning ships in times of conflict.
3. Depending on the threat there are likely to be insufficient ADF assets to protect all essential merchant shipping. Indeed, the number of ships and their normal routes which are critical to Australia are not fully quantified or understood. This impacts the ability to develop a required force structure and prioritization of effort.
4. There is no coherent Whole of Government strategy and measures to address Australia's strategic vulnerabilities.

5. In previous conflicts the RAN developed comprehensive plans to protect merchant shipping in the port precincts, the approaches, the littoral and open ocean. Such plans are absent.
6. It would be prudent to examine to what extent the force structure needs to be enlarged so that it is capable of defending the likely size of the sea trade.
7. The ADF and the Navy in particular will need greater investment in order to protect maritime trade and sea supply.

RECOMMENDED ACTIONS

57. The following courses of action are recommended:
 1. Develop an engagement strategy within Defence and Whole-of-Government to raise awareness of Australian Maritime Trade issues with a view to developing a requisite strategy and action plan.
 2. Initiate work to further quantify the quantum and nature (including routing) of maritime trade to and from Australia as well as the responses needed for its protection.
 3. Propose a Strategy-Led Approach to deal with the challenge under the leadership of the National Security Committee of Cabinet.
 4. Initiate bi-lateral/multi-lateral discussion of protection of critical sea supply shipping, for example the protection of the Japanese LPG trade and the Australia-New Zealand trade.

Conclusion

48. The 2019 Goldrick Seminar highlighted very important issues about Australia's maritime trade and starkly illustrated that for such a critical issue to the nation's security and prosperity, Australia is not well-positioned to defend its trade in a contested environment. This is not alarmist, but recognition that the paradigm of Australia's national security needs to shift, and that there is a viable way forward that will allow for a more robust and resilient approach to protecting Australia's vital maritime lifelines.



Vice Admiral P.D. Jones AO DSC RAN Retired
President
Australian Naval Institute
11 January 2020

Annex:

A. The Supporting Committee Structure for the British Committee of Imperial Defence.

The Supporting Committee Structure for the British Committee of Imperial Defence

