

## “Relevance of Gunboat Diplomacy in the 21<sup>st</sup> Century – Naval Power?”

This talk will reflect on the changing roles of Naval Power with regard to securing maritime trading routes and national defence policies. In particular, it will explore some aspects and implications of China’s ‘One Belt, One Road’ initiative and the prospect of cheaper and more overland transportation routes to link Europe via Eurasia and the Indian Ocean.

Given the impact of this major change in the modern geopolitical landscape, we will consider the true challenges facing Australia’s own naval future. This comes at a crucial time when defence alliances and trading partners have opposing views and outlooks on future world developments. Ultimately, what cost is the Australian tax payer prepared to outlay in this rapidly evolving and expensive high stakes game of gambling on the right mix of submarines and ships for the future?

Australia, like all of the Western alliance, are at a crossroads in relation to current and future defence procurement directions, platform and manning ambitions and – the inescapable dilemmas associated with funding considerations.

Today, we will focus on Naval Power specifically - and the rapidly changing environment in which surface ships, sub-surface vessels and maritime air assets will have to operate in the foreseeable future.

This comes at a time where the longstanding International Rules Based Agenda is increasingly being tested by new and old - potential foes alike.

China’s ‘One Belt: One Road’ (OBOR) initiative has the potential to change the global transport and trade networks in a way believed impossible until recently.

OBOR is a Chinese economic and strategic agenda by which the two ends of Eurasia, as well as Africa and Oceania, are being more closely tied along two routes – one overland and one maritime.

The overland ‘Belt’ involves the creation of an economic and trade corridor extending from China’s west through Central Asia and finally to Europe. The first step is to further link Central Asian states to the Chinese economy, while the longer-distance initiatives include railway connections between China and Europe.

The ‘Belt’ initiative calls for the integration of the Eurasian land mass into a cohesive economic area. In brief, it is believed that goods made on China’s coastal fringe could be transported unhindered to the ports of Western Europe within days rather than weeks.

For the maritime ‘Road’, China’s development of ports and hubs across the Indo-Pacific is a key aspect of the initiative. Purchase and construction of port facilities and associated economic zones in Australia, Malaysia, Indonesia,

Bangladesh, Sri Lanka, Myanmar, Pakistan, Kenya, Tanzania, Oman and Djibouti are intended to provide China with maritime access and economic benefits across the Indian Ocean.

These facilities will connect to Piraeus, Greece's major port, which has been bought by Chinese shipping group COSCO which will allow direct access to the markets of Europe.

Supporters suggest that the initiative permits new infrastructure and economic aid to be provided to needy economies. Critics claim that it facilitates Chinese economic and strategic domination of the countries along these routes. OBOR also provides a global context for China's ever-growing economic links with Australia.

China's wielding of this economic statecraft strategy derives from several collocations. On the political front, since late 2012, President Xi has been promoting the 'Chinese dream' involving the 'great revival of the Chinese nation'. Such revival requires a restored global position and identity for China.

Earlier iterations of OBOR involved the catch-phrases 'common development' and 'win-win cooperation' to characterise the relations between China's development and that of its neighbours.

China also promoted a 'China-ASEAN community of shared destiny'. But these smaller initiatives have burgeoned into the Eurasia-wide OBOR, bringing into play China's massive capital reserves—both state and private—achieved through 40 years of rapid economic growth, offering an outlet for the vast excess production capacities which exist today in China.

Regardless of the credence which one assigns to the various interpretations of the OBOR initiative, progress thus far makes it clear that as Australia becomes increasingly tied economically with China, there is a need to maintain a close watch on the progress of the OBOR initiative globally. It also suggests that Australia needs to adopt a more economically and strategically prudent attitude in determining how the Australia-China economic relationship is to further develop.

Add to this equation, in the past decade, a far more embolden maritime agenda has been adopted as a component of the Chinese People's Liberation Army – Navy. This force has expanded at an unprecedented rate and now boasts a serviceable aircraft carrier with more being produced currently. In the near future, the PLA-N will be able to dispatch fully operational carrier battle groups globally. This is another key component, if not less acknowledged, of the OBOR initiative. The parallel has been made to the historical coaling ports of the British, French and Dutch trading countries in centuries past. Being able to sustain and logistically support extended maritime Naval operations will undoubtedly go some way in the reshaping the available Chinese merchant fleets corridors. No longer will traditional naval chock-points be safeguarded

by the traditional Western military alliance led by the US. The Chinese will be able to provide their own security – come what may in times of geopolitical tension!

At this point – we need to consider where Australia as a nation sees itself in the next few decades. More specifically, what it means to be Australian and what values or traditions we will consider standing up for on the global stage. It is starkly evident that the World Order and Pax-Americana, as we have known it in the post Second World War era, is drawing to a rapid close.

I could talk on endlessly about a wide range of research undertaken on Australia's future – but for brevity in the time allowed today – I will remain focused on other less known developments of another major global player that is re-emerging from the shadows and is keenly observing their Chinese neighbours ambitions.

Since the end of the Cold War in late 1989, there has been no real genuine threat to the supremacy of the United States Naval power globally. To be fair, the post USSR – now Russian navy - could still have posed a credible threat if provoked but - fortunately - deft relations and agreements ensured that that threat too - passed quietly. That said, the Russian navy today is making serious strides to once again be a genuine and credible foe internationally. In particular, Moscow has far more focus and attention being paid to Russian roles and interests in the Asia-Pacific region.

As reported in the ABC news on 31 October this year: “The Russian Pacific Fleet, the main means for Russia to exert power in the region, is expected to receive about 70 new warships by 2026. They will include 11 nuclear-powered and diesel-electric submarines, and 19 new surface warships – nearly the same number Australia is planning to add over the coming decade.”<sup>1</sup>

Now let us just consider that last point for a moment.

We have just accepted into service the second of three air warfare destroyers with the last to come on strength next year.<sup>2</sup> These three vessels cost in excess of \$9 billion and have been considered some of the most expensive ships of their type produced to date.

Ship production in Australia involves a 30% to 40% price premium over the cost of comparable production at shipyards overseas.<sup>3</sup>

While considering the other major Australian Naval acquisitions in the works, the government has budgeted between \$7 billion and \$11 billion to sustain the

---

<sup>1</sup> <https://www.abc.net.au/news/2018-10-31/russia-is-a-rising-military-power-in-the-asia-pacific/10447190>

<sup>2</sup> <http://www.australiandefence.com.au/news/hmas-brisbane-commissioned-into-ran>

<sup>3</sup> <https://www.theguardian.com/australia-news/2015/apr/16/building-naval-warships-costs-up-to-40-more-in-australia-than-overseas>

offshore patrol vessels, which will cost \$2.8 billion to build. The twelve Australian vessels are based on the PV80 design with the first two vessels to be built at ASC's Osborne ship yard in South Australia before production moves to Cvmec's Henderson ship yard in Western Australia. Construction of the first vessel is planned to commence in 2018 with the lead ship coming into service in 2022.

Australia will also acquire nine new frigates, a version of the BAE Systems' City-class Type 26 ASW frigates for anti-submarine warfare - from the end of the next decade - under a deal with BAE Systems worth \$35 billion.<sup>4</sup>

To clarify the timeline is from the year 2030s onwards – or around the same time as the first of the new and highly optimistic, engineering challenged and horrendously expensive French submarine is due to come online.

While the \$50 billion budget to build the 12 French-designed submarines in Adelaide has been known for several years, Rear Admiral Greg Sammut told Senate estimates in late May 2018, the same amount again would be spent on sustaining the submarines throughout their operating life, although he conceded the costs were yet to be finalised.<sup>5</sup>

Australian taxpayers will need to spend \$100 billion to build and operate the new fleet of submarines, Defence Department officials have revealed for the first time, as they also fended off warnings that the naval shipbuilding program was at risk of cost blowouts and delays.

Now, we have to accept the projected \$220 billion - and counting – not including the price of the US combat system required for compatibility, that this French submarine proposal threatens to be the worst financial and defence decision in our history.

This is somewhat of a 'big call' given other past flawed and failed ADF big-bloc procurements – but we can be assured it probably will not be the last!

Construction of the first submarine is scheduled to start by 2022 and it will enter service in the early 2030s, with the last submarine to be retired by 2080.

By comparison, the six Collins class submarines currently cost \$600 million a year in sustainment costs.<sup>6</sup>

The question for the Australian people is what cost or concessions will we need to make in these increasingly uncertain times? No security alliance or trading deal lasts indefinitely. There is always a fine balancing act when walking the

---

<sup>4</sup> <https://www.defensenews.com/naval/2018/06/29/australia-officially-announces-26b-frigate-contract-here-are-the-build-details/>

<sup>5</sup> <https://www.afr.com/news/100-billion-babies-defence-reveals-true-cost-of-new-submarines-for-taxpayers-20180529-h10ohc>

<sup>6</sup> <https://www.afr.com/news/100-billion-babies-defence-reveals-true-cost-of-new-submarines-for-taxpayers-20180529-h10ohc>

diplomatic tight rope of national self-interest. Tipping the balance either way is fraught with inherent dangers or unintended consequences.

As the end of the second decade of the 21<sup>st</sup> Century rapidly draws to a close, the current Geo-political landscape stands in stark contrast to the last decade of the 20<sup>th</sup> Century. Having benefitted from the post-Cold War peace dividend, the ADF, and Navy in particular, have once again been forced to consider their roles, responsibilities, capabilities, doctrine and personnel as regional and global challenges firm up.

However, now, curious and previously untemplated internal social causes and ideological battlegrounds have been added to the ADF mix of priorities. How our allies and potential enemies alike are viewing this phenomena is worthy of further consideration at another time. The one thing that is certain is: The Royal Australian Navy, and its various array of ‘Australianised – orphan - platforms’ might not be the ‘right mix’ to face a genuine and capable, comparable or larger, regional naval military force. As history has shown repeatedly – relying on other larger benefactors to underwrite our national maritime security has no guarantee when conflict is eminent.