



*Australia's Contribution to Alliance Strategy for the Western Pacific, 2025-2030\**

# THE ADF ROLE IN COALITION ECONOMIC WARFARE OPERATIONS

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## Economic warfare

**Economic warfare is a category of political pressure designed to punish a rival or enforce behavioural change upon a recalcitrant state, often in peacetime, or strategic pressure to force an adversary to submit or even collapse during times of crisis or war. It can include a broad range of activities, and can be applied in strikingly different ways.**

First, economic warfare can be used to pressure an adversary by the threat or use of economic means to weaken its political, economic, technological or military power, or to compel it to change policies or behaviour. It can include trade embargoes, boycotts, sanctions, tariff discrimination, freezing capital assets, suspension of aid and investment and expropriation of assets.<sup>1</sup>

Such activities can occur absent any kind of armed conflict and may never lead to it. Australia and several other countries have suffered tariff discrimination and other forms of trade coercion, for example, as China has sought to employ economic punishment to enforce changes to policies it views as disagreeable and promote the interests of Chinese companies viewed by Beijing as national champions.<sup>2</sup> The United States, for its part, has established an embargo of high-technology products to hamper China's economic, technological and strategic development.

In the example of the Ukraine war, not only have conventional economic sanctions been applied to Russia by the states of the political West – which, although prosecuting a proxy war are not formally belligerents – but also new types of measures such as attempts to exclude Moscow from accessing the global financial system.

Second, however, other elements of economic warfare are associated specifically with armed conflict, particularly blockade and interdiction of trade. Such strategies tend to be slow-acting. At the more destructive end of the wartime scale, belligerents have sometimes used attritional strategies to damage an enemy's war-making potential and its means of economic strength.

An example of destructive practice is commerce raiding, or *guerre de course*, where the object is to destroy the enemy's commerce rather than just capture or block it, as in a blockade: twentieth century examples include Germany's unrestricted submarine warfare in the two world wars and the US submarine campaign against Japan in 1942-45. Even the Allies' strategic bombing campaign of the Second World War can be thought of as a form of attritional economic warfare, both to attrit the enemy's war economy and vital infrastructure, and ultimately, to force more systemic societal and political consequences.<sup>3</sup>

Third, at the more extreme end of the economic warfare scale, the goal can be to "derange" an adversary's economy by "weaponizing the global trading system" in order to "undermine an enemy's socioeconomic stability."<sup>4</sup> In this context, the "systems supporting the society's lifestyle" are targeted to coerce enemy civilians into forcing policy changes on their government.<sup>5</sup> This was the Admiralty's pre-1914 economic warfare plan for war against Germany. Ultimately, the plan failed even to be fully implemented, but it is noteworthy as the pre-1914 global economy was the first era of economic globalization; the period most analogous to the current one, the second era of globalization.<sup>6</sup>

In promising quick victory by imposing catastrophic effects upon the enemy, thus avoiding a lengthy and costly war, this form of economic warfare shares much in common with later, similarly flawed society-targeting ideas, such as interwar theories of strategic bombing and its early atomic-era equivalent, and the air power theories of the 1990s, all of which overpromised independently speedy, decisive results from their preferred form of warfare. Nevertheless, familiarity with the Admiralty's ideas, their implications and outcomes, can generate useful insights into the difficulties involved with all aspects of economic warfare in periods of deep international economic integration, as is the case in our current era.

Economic warfare can be prosecuted without reference to the sea or to sea power. Historically, however, as argued by Alfred Thayer Mahan, sea power has had a very strong economic dimension in both peacetime and in war. Another great maritime theorist, Julian S. Corbett, echoed these ideas, noting the fundamental importance for sea powers to be able to control maritime communications.<sup>7</sup> For Australia, national security, the sea and sea power, and economic warfare, are inextricably linked. As the current Chief of Navy, Vice Admiral Mark Hammond, RAN, has observed: "A nation wishing to do us harm does not need to invade this country. You can strangle this economy from this sea."<sup>8</sup>

## Manifestations of economic warfare

Tariffs, an important element of global economic activity, are customs duties on merchandise imports and give an advantage to locally produced over similar imported goods.<sup>9</sup> Although an acceptable aspect of the global trading system, they can be weaponized, as has been demonstrated by China's use of tariffs as economic coercion. In another manifestation, international law allows governments to expropriate properties owned by foreign entities within its domestic territory, as long as there is a public benefit, fair compensation and the action is within international norms.<sup>10</sup> There are no particular sea power implications associated with these elements of economic warfare.

Trade sanctions and embargoes are implemented to restrict trade activities with certain foreign targets, usually as part of a wider sanctions program intended to achieve political or diplomatic goals. They incorporate prohibitions applying to target industries and/or institutions and individuals, or broadly to entire countries. All three categories have been applied to North Korea, for example, in response to its nuclear weapons activities.<sup>11</sup> Prohibitions usually create a criminal offense for persons in the issuing country to do business with affected persons or entities. Trade sanctions have become a cornerstone of foreign policy.

Sea power, notably navies, can help to maintain sanctions, noting that so much of global trade moves by sea. The Beira patrol, conducted by the Royal Navy between 1966 and 1975 to prevent oil deliveries to Rhodesia, is an interesting example. It showed both what sea power could and could not do; given that Rhodesia was able to import oil overland and that the Royal Navy was limited in the action it could take to dissuade ships from sailing to Beira.<sup>12</sup>

Commercial blockade is used to prevent seaborne trade with an enemy in wartime.<sup>13</sup> That applied by Britain to German merchant shipping during the First World War was effective in crippling Germany's seaborne trade, yet was not necessarily decisive in bringing the war to an end.<sup>14</sup> Legal arguments over the status of neutral shipping and cargo defined as contraband have long bedevilled the concept of blockade, but have never stood in the way of attacks on merchant shipping during wartime.<sup>15</sup> Nor its use in peacetime.

Commerce raiding, on the other hand, has not been used frequently, although kinetic attacks on oil tankers did feature during the latter part of the Iran-Iraq War. Moreover, NATO feared that the Soviet Union would turn to the strategy were the Cold War ever to turn hot.<sup>16</sup>

## Australian maritime economic vulnerabilities

Australia could be particularly vulnerable to economic warfare with a sea power dimension. It is an island continent, reliant on the sea for its international trade: 98 per cent by volume, and 79 per cent by value.<sup>17</sup> Furthermore, our supply lines can be fragile because of the long distances involved in many import routes and because of the “just in time” philosophy that underpins modern globalized manufacturing and distribution.<sup>18</sup> A recent example of fragility was the late-2021 shortage of Adblue, an exhaust fluid without which newer diesel trucks and cars cannot operate. Without urgent resupply, stocks could have run out within two months.<sup>19</sup>

The fragility related to long distances is particularly acute for energy supply. Australia imports 91 per cent of its petroleum needs. Most of this petroleum, crude oil and refined product, comes from the Middle East, Malaysia, Singapore and the Republic of Korea, over distances ranging between 4,800 and 5,800 nautical miles.<sup>20</sup> Adding to the distance challenge, to increase our strategic stockpiling of oil, in line with international obligations, Australia has secured access to the US strategic oil reserve and holdings in the Netherlands.<sup>21</sup> Both sources are, of course, weeks away in the event of being needed.

The government has mandated an amount of diesel, petrol and jet fuel to be held in-country, but significant onshore storage is not yet available. Further complicating energy security, all but two of Australia’s oil refineries have closed in the last twenty years and the remaining facilities are geared to petrol production rather than to aviation fuel and diesel.

Reflecting its reliance on trade for economic performance, Australia rates as fifth in the world for its use of shipping. Yet it has only about a dozen locally flagged ships, none of which can carry oil, LNG or containers.<sup>22</sup> In an emergency, the right kinds of ships may not be available.

An aspect of economic warfare with growing implications for sea power is the potential for interference with the enormous network of undersea fibre optic cabling connecting most countries. Upward of 95 per cent of all internet traffic is carried on these cables; including private and governmental financial and other sensitive information.<sup>23</sup> These vital cables are subject to accidental or deliberate damage or to being “tapped.”

In Australia’s case, the vulnerability may be increased because of the very few cable landing points. As with the submarine telegraphic cables of an earlier era, global communications are an essential part of the modern economy, and will likely feature in future economic warfare in a major war. There is no obvious way to protect them, however; ensuring that sufficient cable-laying and repair ships are available may be the only, still unsatisfactory, solution.

Protection of the sea lines of communication (SLOC) – that is, shipping – is a widely accepted naval function. A reality for Australia is that the naval forces available will be sufficient to protect only high priority shipping in any major conflict.<sup>24</sup> While this applies to protection of shipping enroute, it is probably even more the case in the vicinity of ports or other chokepoints, given the minimal attention paid by most navies to countering mines.<sup>25</sup>

The economics and politics of shipping make it unlikely that Australia will develop a large merchant shipping fleet. Nevertheless, the government has determined a need for Australian flagged and crewed vessels of different types.<sup>26</sup> While this move will not solve the entire problem of assured access to shipping in time of emergency, it should ensure some capability to transport important cargoes, such as oil, LNG and containerized dry goods.

In a conflict, the need to protect merchant shipping and Australian ports will demand much of the Australian Defence Force (ADF). Plans must in place for cooperating with friendly defence forces and alternative shipping routes must be identified.<sup>27</sup>

## Coalition economic warfare operations

In the context of coalition operations in the event of conflict in the western Pacific, economic warfare is certain to play a role. As the experience of dealing with aggressive or threatening behaviour by other rogue actors such as Iran, North Korea and Russia has shown, sanctions are often the first instrument to be deployed to counter or punish undesirable, and undeterred, actions.

The same response would apply in the case of Chinese aggression. Whilst economic measures almost certainly would not contribute in a timely enough manner to make a difference in a Taiwan contingency, the argument made throughout this project is that a concerted attack on Taiwan would signal the start of a wider conflict over regional hegemony. In that context, the prudent expectation should be for prolonged conflict, both hot and cold. Economic warfare, therefore, would play an important role, both as immediate punishment and longer term pressure; and for protection of coalition members' own economic and strategic interests.

Coalition forces will thus need to be able to perform both offensive and defensive economic warfare operations. Defensively, that could mean the protection of allied shipping, controlling important chokepoints to allow the passage of allied and neutral trade, clearing mines from regional chokepoints, and mine warfare operations near coalition naval bases and civilian ports. Naval and other defence cooperation will be needed to protect the most essential of allied shipping.

The current naval method of cooperation for SLOC security, Naval Cooperation and Guidance for Shipping (NCAGS), which provides advice for merchant vessels, may be effective in dealing with lower level threats such as Somali piracy in the Gulf of Aden. However, it is unlikely to be sufficient to protect allied shipping in a major war. In that case, more traditional positive naval control of shipping (NCS) may be necessary; say, to protect refined petroleum shipments bound for Australia from Singapore or South Korea. Shipping would need to be allocated levels of priority for protection, depending on the importance of the cargo.

There already exists a longstanding arrangement between the Australian and US navies, the Radford/Collins Agreement, which divides the region into areas of responsibility for the respective allies to protect friendly shipping in times of conflict.<sup>28</sup> Existing arrangements may need tweaking to involve all core members of the likely coalition: at a minimum, Japan needs to be added. Non-coalition states with shared interests in the protection of friendly shipping could also be assigned sectors for SLOC security to reduce the burden upon coalition members.

The ADF's role thus will be important to protect both national and coalition trade interests. That requires surface patrol assets such as frigates and offshore patrol vessels (OPVs), and maritime patrol aircraft, whether manned or unmanned, as well as other ground and space-based ocean surveillance capabilities. Australia has recognized the SLOC security need, with consideration being given to more heavily arming the OPVs now building or to adding a force of corvettes. Luckily, the ADF and other coalition partners have had many years of continuous experience with SLOC security operations against non-state actor threats.

Significantly greater emphasis will need to be given to mine countermeasures forces, given the relative ease with which minefields can be sown and the relative difficulty in clearing them. Traditional minehunting vessels increasingly are giving way to unmanned systems. Such systems, if organic to surface vessels, could improve mine countermeasures capabilities, not only in the waters around Australia, but deployed forward in the region too.

Unconventional means, such as closing sea areas through missile firings, have also been used to at least threaten blockades, as happened in 2022 against Taiwan, reminiscent of the missile crises of 1995-1996.<sup>29</sup>

In the case of a Taiwan contingency, in which the coalition was required to break a Chinese blockade of the island, a full range of high-end warfighting capabilities would be needed, including anti-submarine and anti-surface warfare, mine warfare, and area-wide air and missile defence.

Offensively, coalition forces might be required to conduct close or distant blockades of an adversary, including by boarding and seizing enemy shipping and neutral vessels carrying contraband, and by laying minefields.<sup>30</sup> The relative paucity of advanced sea mines in coalition arsenals, and means of effectively delivering them close to an enemy's coast, are obvious shortcomings in capability. This suggests another potential role for unmanned vessels.

Coalition forces will also need to be able to control key regional chokepoints, perhaps even seizing them by force, in order to block the enemy's shipping. That points to a potentially significant role for the army as well as the other two services.

The ADF has also had a great deal of experience with blockade-like operations, including sanctions enforcement against Iraq,<sup>31</sup> and currently contributes to UN sanctions enforcement operations against North Korea.<sup>32</sup> Even a distant blockade of an adversary's trade, however, might entail risks of engagement with enemy forces; making wartime operations, logically enough, far more perilous than their peacetime equivalents. That also means the ability to conduct maritime warfare against surface, undersea, air and missile threats.

Finally, in the conduct of any aspect of economic warfare, whether it includes military operations or not, sound economic intelligence, and shipping, other trade, and finance data, will be essential. The extent of the comprehensive economic information required is vast, and will require cooperation across government portfolios, including some which generally do not have a security function; and with commercial players, including the shipping, trade and banking industries, and other commodity and financial market operators. Developing such expertise and knowledge should be a peacetime priority.







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