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AUSTRALIA'S DEFENCE POLICY IN THE GREY ZONE



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WRITTEN BY BENJAMIN HERSCOVITCH

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The high drama and global reverberations of AUKUS have dominated Australia's defence and security policy debates in recent months. Australia's new security partnership with the United Kingdom and the United States to build nuclear-powered submarines represents a dramatic change in Canberra's military capability plans and future force posture. As well as portending a steady deepening of Australia's military embrace of the United States, it signals Canberra's determination to deliver a deterrent effect against China in the Taiwan Strait and the South China Sea.

Yet, while the military capability fruits of AUKUS will take decades to fully mature, Australia is already actively engaged in multiple intense and ongoing struggles with China in the grey zone — the realm of activities designed to coerce countries without resorting to military conflict.

Winning without fighting

In the South China Sea, across the Taiwan Strait, and in the face of economic coercion, [Australia's defence and security policy](#) is responding to military-strategic competition with China that falls short of the threshold of war. Grey zone tactics are by no means the sole preserve of China's statecraft. Russia employs a range of [sophisticated grey zone tactics](#) to influence and coerce states from the Baltic to the Balkans and beyond. And, of course, the [United States](#) and its [allies](#) and [partners](#) have long and dubious histories of using military proxies, economic coercion, disinformation, and other grey zone tactics.

Without discounting the possible threats that nuclear-powered submarines are designed to head off, Australia's immediate priority remains competition with China in numerous scenarios short of war.

Despite the widespread use of grey zone tactics, Australia's threat perception is firmly fixated on China. Unsurprisingly, this is fuelled by China's sustained and severe [campaign of economic coercion](#) against Australia. Using a range of tools such as tariffs, duties, technical regulatory measures, and informal restrictions, at least nine [lucrative Australian goods exports](#) from beef to barley and cotton to coal have been hit with politically motivated trade restrictions since May 2020.

Beijing is incensed by Canberra's [criticisms of China's human rights abuses](#), Australia's [support for international law in the South China Sea](#) and [scrutiny of Chinese investments](#), among a host of [other frustrations](#). In response, Beijing has sought to use the coercive pressure of trade restrictions to [punish Australia](#) and [push its government](#) to change its policies. Canberra's growing focus on the grey zone is not just driven by its own experience with economic coercion. Australia is also concerned by China's use of a large and varied toolbox of grey zone activities in the South China Sea and Taiwan. Using tactics ranging from seeking to [delegitimise international law](#) to [military intimidation](#), China seeks to realise its geostrategic ambitions without resorting to military conflict.

Beijing continues to deploy yet more military platforms to disputed maritime zones in the South China Sea and is improving its [radar and air defence systems](#) on contested artificial features. China is also utilising its [law enforcement assets](#), [maritime militia units](#), and [survey vessels](#) to consolidate and expand its areas of *de facto* control, intimidate competing claimant states, and complicate commercial and military activities. Further north, Beijing is also employing grey zone tactics against Taipei in a bid to unify the island with China. As well as deterring Taipei from declaring *de jure* [independence](#), China seeks to induce pre-emptive capitulation by persuading both the Taiwanese and the wider world that its eventual control of Taiwan is an [irresistible historical inevitability](#) — all without resorting to a high-stakes amphibious invasion across the Taiwan Strait.

Having successfully convinced the Solomon Islands and Kiribati to [cut formal diplomatic relations with Taiwan](#), China has stepped up its efforts to exclude Taiwan from multilateral organisations and trade agreements, including the [World Health Assembly](#) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership [trade pact](#). On the military front, the People's Liberation Army Air Force now regularly crosses the Taiwan Strait's *de facto* [median line](#), while the tempo of flights into the southern parts of Taiwan's air defence identification zone has increased dramatically, reaching [unprecedented levels](#) in 2021.

Australia's whole-of-government response

These grey zone challenges touch on a range of core Australian interests and values. China's campaign of economic coercion threatens Australia's economic health by disrupting the trade flows of some of the country's biggest export industries and jeopardising the livelihoods of workers and communities. Meanwhile, the use of trade restrictions to punish Australia and push Canberra to align its policies with Beijing's interests constitutes an effort to interfere in Australian government policy and undermine the country's democratic sovereignty.

Beijing's efforts to enforce maritime claims that are inconsistent with international law in the South China Sea undermines core elements of the rules-based international order, including the United Nations Convention on the Law of the Sea (UNCLOS). At the same time, Beijing's moves to intimidate Taipei diplomatically, economically, and militarily endanger the rights and freedoms of nearly 24 million Taiwanese. Given the stakes involved, Canberra has not resiled from the challenge. Australia has pursued a coordinated whole-of-government response that has sought to marshal all the tools of Australian statecraft — from its diplomatic messaging to its warships. With Australian ministers explicitly acknowledging the way in which the grey zone is erasing traditional policy distinctions, Australia's defence and security policies are now part of a continuum with its diplomatic, economic, and trade policies.

Australia has not caved to China's demands and has sought to mitigate the costs with policies to boost its trade with alternative markets via extra support to its exporters and new and expanded free trade agreements. Canberra has sought redress via World Trade Organisation procedures, while also using its diplomacy to rally like-minded countries to raise concerns about economic coercion and impose reputational costs on China. In the South China Sea, Australia has utilised its military assets in the air and the water to monitor China's militarisation of the waterway and maintain a regular presence in accordance with freedom of navigation rights under international law. At the same time, Australian diplomacy continues to highlight Chinese actions that are inconsistent with international law, while also seeking to uphold and defend UNCLOS.

Australia has also sought to incrementally increase its contribution to the collective effort to deter China in the Taiwan Strait. Canberra has delivered progressively stronger signals of support to Taipei as well as raising the profile and importance of its efforts to deepen its economic relations with Taiwan. Australian military platforms also continue to operate in the Taiwan Strait following international law, while recently announced military acquisitions, such as nuclear-power submarines, are calculated to chasten China's ambitions.

A future beset with challenges

Given the deep determination and immense resources of Australia's primary grey zone adversary, success is far from guaranteed. Moreover, the balance of power in the grey zone is tipping further in China's favour. The economic resources available to Beijing are likely to continue to grow as the Chinese economy emerges as the globe's largest, while China under President Xi Jinping has renewed its focus on global "public opinion struggle". Although China's challenge in the grey zone is only likely to strengthen, Australia shows every sign of preparing itself for long-term, multidimensional, and intensifying grey zone competition.

Given the multibillion-dollar price tag, multi-decade delivery timeline, and associated diplomatic ructions, Canberra's decision to acquire nuclear-powered submarines understandably continues to command public attention in Australia and abroad. But without discounting the possible threats that nuclear-powered submarines are designed to head off, Australia's immediate priority remains competition with China in numerous scenarios short of war.

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Author biography

Benjamin Herscovitch is a Research Fellow in the School of Regulation and Global Governance at the Australian National University. Image credit: [Flickr/US Indo-Pacific Command](#).