ISSN 0219-3213

2014 #12

Trends in Southeast Asia

CHINA'S STRATEGIC ENGAGEMENT WITH EAST ASIA: AUSTRALIAN VIEWS AND RESPONSES

JOHN LEE

ISEAS Publishing
INSTITUTE OF SOUTHEAST ASIAN STUDIES

Trends in Southeast Asia

*The **Institute of Southeast Asian Studies (ISEAS)** was established in 1968. It is an autonomous regional research centre for scholars and specialists concerned with modern Southeast Asia. The Institute's research is structured under Regional Economic Studies (RES), Regional Social and Cultural Studies (RSCS) and Regional Strategic and Political Studies (RSPS), and through country-based programmes. It also houses the ASEAN Studies Centre (ASC), Singapore's APEC Study Centre, as well as the Nalanda-Sriwijaya Centre (NSC) and its Archaeology Unit.*

2014 #12

Trends in Southeast Asia

CHINA'S STRATEGIC ENGAGEMENT WITH EAST ASIA: AUSTRALIAN VIEWS AND RESPONSES

JOHN LEE

ISEAS Publishing
INSTITUTE OF SOUTHEAST ASIAN STUDIES

Published by: ISEAS Publishing
Institute of Southeast Asian Studies
30 Heng Mui Keng Terrace
Pasir Panjang, Singapore 119614
publish@iseas.edu.sg http://bookshop.iseas.edu.sg

ISEAS Library Cataloguing-in-Publication Data

Lee, John.
China's Strategic Engagement with East Asia : Australian Views and Responses.
(Trends in Southeast Asia, 0219-3213 ; TRS 12/14)
1. Australia—Foreign relations—21st century.
2. Australia—Military policy—21st century.
3. Australia—Foreign relations—United States.
4. United States—Foreign relations—Australia.
5. Australia—Foreign relations—China.
6. China—Foreign relations—Australia.
7. China—Foreign relations—East Asia.
8. East Asia—Foreign relations—China.
I. Title.
II. Series: Trends in Southeast Asia ; TRS 12/14.
DS501 I59T no. 12(2014) 2014

ISBN 978-981-4620-34-5 (soft cover)
ISBN 978-981-4620-35-2 (e-book, PDF)

Typeset by Superskill Graphics Pte Ltd
Printed in Singapore by Mainland Press Pte Ltd

FOREWORD

The economic, political, strategic and cultural dynamism in Southeast Asia has gained added relevance in recent years with the spectacular rise of giant economies in East and South Asia. This has drawn greater attention to the region and to the enhanced role it now plays in international relations and global economics.

The sustained effort made by Southeast Asian nations since 1967 towards a peaceful and gradual integration of their economies has had indubitable success, and perhaps as a consequence of this, most of these countries are undergoing deep political and social changes domestically and are constructing innovative solutions to meet new international challenges. Big Power tensions continue to be played out in the neighbourhood despite the tradition of neutrality exercised by the Association of Southeast Asian Nations (ASEAN).

The **Trends in Southeast Asia** series acts as a platform for serious analyses by selected authors who are experts in their fields. It is aimed at encouraging policy makers and scholars to contemplate the diversity and dynamism of this exciting region.

THE EDITORS

China's Strategic Engagement with East Asia: Australian Views and Responses

By John Lee

EXECUTIVE SUMMARY

- Under the current Tony Abbott government, Australia's views of China's strategic engagement and motivations in the region do not differ substantially from many of the predominant views held in Southeast Asian capitals.
- Similarly, Australia's strategic response to deepen its alliance with the U.S., forge new security partnerships with like-minded countries such as Japan, and strengthen the U.S.-led strategic order in a number of bilateral and multilateral approaches is reflective of regional trends, even though Canberra (as a formal U.S. ally) is more committed to balancing with the U.S. vis-à-vis China than many other countries at this stage.
- Australia's geo-strategic depth, lack of territorial and maritime disputes with other Asian countries, and alliance with the U.S. has offered the country's non-governmental strategists and influential thinkers a degree of 'freedom' in speculating about strategic policy for the future. This has allowed some unconventional ideas to emanate from respected Australian experts and commentators about strategic policy.

China's Strategic Engagement with East Asia: Australian Views and Responses

By John Lee[1]

INTRODUCTION[2]

Although Australia is one of only two 'Western' countries in East Asia, it is confronting similar complexities and challenges as its neighbours. A first similarity is the possible divergence between its future security and economic interests in relation to China, its largest trading partner. A second is that Australia is heavily dependent on trade for its continued prosperity and way of life, and cannot accept instability and impeded access to the sea-lines-of-communication (SLOCs) in East Asia. A third commonality is that while Australia sees continued Chinese prosperity as an economic opportunity and essential for its own and the region's continued prosperity, it seeks to help manage and avoid the potentially unsettling consequences of the rise of such a large country in Asia.

On the other hand, there are significant differences between the Australian situation and that of many of its neighbours. One important difference is that Australia's geography has offered it a high degree of 'strategic depth' away from the troubles of East Asia. This has allowed

---

[1] Dr John Lee is a visiting fellow at ISEAS. He is also an Adjunct Professor at the Centre for International Security Studies, University of Sydney; non-resident senior fellow at the Hudson Institute in Washington DC; and Director of the Kokoda Foundation strategic and defence think-tank in Canberra.

[2] This paper does not represent the official views of the Australian government. But where the paper summarises and analyses the view of the Australian government, it is based on the author's extensive interaction and conversations with senior officials (elected and bureaucratic) from the John Howard, Kevin Rudd, Julia Gillard and Tony Abbott governments.

Canberra and the country's strategic thinkers a comfortable degree of remoteness in analysing and reimagining strategic relations amongst countries in Asia.

However, such remoteness is counterbalanced by Australia's alliance commitments to the United States, meaning that Canberra may well be obligated to support American military actions in East Asia. Consequently, Canberra is more tied to strategic affairs in East Asia than its geography suggests. But the point remains that short of war involving the United States, Australia has more breathing space than its Asian neighbours – in addition to the fact that it does not have direct maritime disagreements and disputes with other countries in the region.

This paper will argue that Australian views of China's strategic engagement in East Asia do not greatly differ from views in the region, among U.S. allies and security partners. Whilst strategic policies adopted by the current Australian government are broadly consistent with the strategic trends as seen in these countries, there is considerable disagreement amongst Australia's former leaders, officials, strategists and academics as to how recent Chinese behaviour should be understood and managed.

This paper concludes that while the most likely future scenario is that Australian strategic policies will continue to emphasise strengthening the treaty alliance with the U.S. and deepening strategic partnerships with like-minded countries such as Japan, for a number of reasons, there is no national consensus amongst non-governmental groups and influential individuals in Australia. This means that should the circumstances underpinning the current government's strong support for a U.S.-led regional order change – unlikely but nevertheless conceivable – future governments may well flirt with different strategic directions for the country in the region.

AUSTRALIA AND THE ERA OF CHINA'S 'PEACEFUL RISE'

When the conservative leader John Howard left office in 2007, the dominant Australian and regional narrative and hope were about China's 'peaceful rise' or 'peaceful development'. Many argued that post-Mao

Zedong China had not behaved as a revolutionary or expansionist power, but instead had primarily focused on preventing Taiwanese independence, and had increasingly integrated into the economic, diplomatic and multilateral norms and regimes of the region and the world. Up to 2007, many in Australia agreed with arguments that China's 'charm offensive' was paying high dividends for Beijing, and that it was American neglect rather than anything foreboding about Beijing's behaviour that allowed China to 'eat America's lunch' in Asia.[3]

Indeed, Howard's consistent position during the last few years of his tenure was "Australia does not believe that there is anything inevitable about escalating strategic competition between China and the U.S.,"[4] and that "Australia has an enormous stake and a helpful role to play in the management by the U.S. of…its complex relationship with China."[5] Rejecting the traditional conservative Australian position that authoritarian countries pose a greater threat to Australian or regional interests, Howard argued that the Australian approach to China should be "to build on the things that we have in common, and not become obsessed with the things that make us different."[6] In an assessment of his own policies vis-à-vis the two great powers several years before he left office, Howard stated:

> I count it as one of the great successes of this country's foreign relations that we have simultaneously been able to strengthen

---

[3] For example, see Joshua Kurlantzick, *Charm Offensive: How China's Soft Power is Transforming the World* (New Haven: Yale University Press 2008).

[4] Prime Minister John Howard, "Address to the Lowy Institute for International Policy", Mar 31, 2005.

[5] Australian Government 2003, *Advancing the National Interest: Australia's Foreign Affairs and Trade Policy White Paper*, Canberra, pg. xvi.

[6] See Hugh White, "Things to chew over for the meat in the sandwich," *Sydney Morning Herald*, August 18, 2005 <http://www.smh.com.au/news/opinion/things-to-chew-over-for-the-meat-in-the-sandwich/2005/08/17/1123958125237.html> accessed October 6, 2014.

> our long-standing ties with the US, yet at the same time continue to build a very close relationship with China.[7]

During the Howard years (1996-2007), talk of China as a possible threat was largely confined to closed-door discussions between defence officials and more hawkish strategists[8] whose pessimistic views about China's strategic trajectory were often criticised as counter-productive opinions that could turn into disastrous self-fulfilling prophesies should they become public. Even during the early years of the Rudd government (2007-2010), despite China being named as a potential threat in the *2009 Defence White Paper*, (based on the observation that China was undertaking a military modernisation "beyond the scope of that which would be required for a conflict over Taiwan," and was therefore a potential "cause for concern" for China's neighbours and Australia[9]), the country's national security priorities were largely focused on Australia's immediate neighbourhood. The following list of national security priorities in descending order in the 2009 *White Paper* confirms that Australia's key interests in shaping the country's force posture were:

- The capacity to deter and/or protect Australia from any attacks against its sovereign territory.
- Securing Australia's interests in its immediate neighbourhood (i.e., the South Pacific) through ensuring stability and cohesion in surrounding countries.
- Strategic stability in the general Asia-Pacific region.
- Promoting a stable, rules-based global security order.

---

[7] Prime Minister John Howard, "Australia's Engagement with Asia: A New Paradigm", address to the Asialink-ANU National Forum, August 13, 2004.

[8] For example, see Ross Babbage, *Australia's Strategic Edge in 2030* (Canberra: Kokoda Papers February 2011) <http://www.kokodafoundation.org/resources/documents/kp15strategicedge.pdf> accessed October 6, 2014.

[9] Commonwealth of Australia, *Defending Australia in the Asia Pacific Century: Force 2030,* p. 34, paras. 4.26-7.

In fact, prior to 2010, many in the Australian strategic community were more concerned about Beijing's cheque-book diplomacy in the South Pacific: offering money to buy influence in countries such as Fiji.[10] Although the 'possibility' of China as a threat was controversially raised in the *2009 Defence White Paper*, actual attention was largely focused on managing risks in Southeast Asia. As the first two national security priorities make clear, the 'defence of Australia' and its interests was more likely to involve repelling threats from Southeast Asia than Northeast Asia.

Indeed, Indonesia as a security challenge dominated Australian attention in both the 2009 and 2013 *White Papers* when it came to managing risks in the region. The 2009 *White Paper* acknowledges the "remarkable (Indonesian) gains in the past decade," that the country has "managed a successful transition to multiparty democracy"; and that if these trends continue, "Indonesia will continue to evolve as a stable democratic state with improved social cohesion."[11] Even then, the very next paragraph speaks about the prospect that a "weak, fragmented Indonesia beset by intractable communal problems, poverty and failing state institutions, would potentially be a source of threat to our own security [while] an authoritarian or overly nationalistic regime in Jakarta would also create strategic risks for its neighbours."[12]

Moreover, a striking passage in the *2009 White Paper* under the sub-heading of 'A Secure Immediate Neighbourhood' states categorically that Australia "has an enduring strategic interest in preventing or mitigating any attempt by nearby states to develop the capability to undertake sustained military operations within our approaches," and "maintaining military superiority would increase the threshold of

---

[10] For example, see Jonathan Pearlman, "China's 'chequebook diplomacy' in Fiji under fire," *Sydney Morning Herald,* April 21, 2009 <http://www.smh.com.au/world/chinas-chequebook-diplomacy-in-fiji-under-fire-20090420-acpr.htm> accessed October 7, 2014.

[11] Commonwealth of Australia, *Defending Australia in the Asia Pacific Century: Force 2030*, para. 4.32.

[12] Ibid., para. 4.33.

military modernisation required by nearby states to be able to develop such a capacity."[13]

The *2013 White Paper* offers a similar assessment, stating that "[c]ontrolling the sea and air approaches to our continent is the key to defending Australia." This encompasses air and sea control "in places and at times of our choosing," the capacity to "deny or defeat adversary attacks and protect key sea lines of communication (SLOCs)," and the capacity to "deny adversary forces access to forward operating bases or the freedom to conduct strikes against Australia from our maritime approaches."[14] Although the 2013 version employs subtler language on the whole, it is explicit that the trajectory of Indonesia is of "singular importance" and is Australia's "most important relationship in the region."[15] As these passages are referenced from sections in the white papers about potential sources of threat and instability in Australia's immediate region, it is clear that even in 2013, strategic and defence planning kept more of an eye on Jakarta than on Beijing.

THE RISE OF 'CHINA THREAT' IN AUSTRALIAN STRATEGIC DISCOURSE

While potential security complications vis-à-vis Indonesia have long dominated Australian strategic calculations, the emergence of an undoubtedly more assertive China from around 2010, especially over its territorial and maritime claims in the East and South China Seas, has started to attract Australian attention. As China's military spending continued to outpace its economic growth, and Beijing adopted a more imperious, petulant and angry persona regionally,[16] Australian strategic

---

[13] Ibid., para. 5.8.

[14] Commonwealth of Australia, *Defence White Paper 2013,* para. 3.42.

[15] Ibid., para. 3.17.

[16] See "The dragon's new teeth," *The Economist,* April 7, 2012 <http://www.economist.com/node/21552193> accessed October 6, 2014.

elites and commentators watched closely as regional capitals transitioned from 'hedging' behaviours (i.e., not taking sides but leaving open options into the future) towards 'hard' and 'soft' balancing behaviours against China.[17]

As China's military build-up and assertiveness continued unabated, a shift was also taking place amongst the majority of Australian strategists. Strategic policy during the Howard era emphasised successful alliance management with the United States rather than managing (or neglecting) the challenge of China's rise. This largely explains why Australia unhesitatingly followed the United States into the highly unpopular second Iraq War in 2003, and why conservative Liberal governments have committed Australian forces to every major American military action since the Second World War: Korea, Vietnam, Afghanistan, twice in Iraq, and the current action against ISIS in Syria and Iraq. But in an era of indisputable Chinese assertiveness, the Howard-era diplomacy of managing the ANZUS alliance whilst avoiding tough questions about China by proclaiming that tensions with the rising power were not inevitable, no longer sufficed.

To be sure, managing the alliance with the U.S. remained Australia's highest strategic priority, whilst retaining the capacity to repel a hostile Southeast Asian neighbour from approaching its north and northwest borders constituted its highest defence priority. But Chinese assertiveness caused Australian officials and strategists to think more deeply and widely about the country's essential strategic interests in the region beyond its usual priorities of ensuring its capacity to both repel direct and hostile attacks to its territory, and preserving order in its traditional sphere of influence in the South Pacific. In other words, strategic and defence policy was no longer a localised matter in geographical terms. It became clear that even if Australian territory remained safe from hostile invaders, Australia's core national and security interests could

[17] See Andrew Shearer, "Southeast Asia and Australia: Case Studies in Responding to China's Military Power," in Ashley J. Tellis and Travis Tanner (eds.,) *Strategic Asia 2012-13: China's Military Challenge* (Washington DC: National Bureau of Asian Research 2012).

be unacceptably threatened due to events many thousands of kilometres away in East Asia.

In essence, national security and strategic thinking went beyond the ways and means required to defend Australian territory or maintain order in the South Pacific, and began to consider the East Asian regional *order*: the role of the U.S. and the U.S.-led alliance system in upholding order; the challenge that China poses to the regional order and possible disruptions to that order; and what this means for Australian strategic, security and economic interests into the future. To be fair, and despite its softly-softly diplomacy with China, the Howard government was not unaware of these larger questions, and its enthusiasm for closer bilateral relations with Japan and India was largely a 'hedge' against China's non-peaceful rise. But China was neither as powerful nor as assertive during that era, meaning that such questions could be left for the future.

The Rudd and Gillard governments are not mentioned much in this paper simply because Rudd was removed prematurely during his first term in June 2010 while Gillard was largely preoccupied with domestic political survival;[18] although it must be said that the latter proved to be a steadier hand than the former in foreign and security policy. By the time Tony Abbott was elected to power in September 2013, China (and not Southeast Asia or the South Pacific) had become the front and centre of Australian strategic concerns, even if China did not feature prominently in the *2013 Defence White Paper*.[19] The situation had changed significantly

---

[18] For a full and authoritative account of the Rudd and Gillard years, see Paul Kelly, *Triumph and Disaster: The Broken Promise of a Labor Generation* (Melbourne: Melbourne University Press 2014).

[19] The Julia Gillard government's 2013 Defence White Paper was a rushed document. While it did not challenge any of the fundamental premises or arguments put forward in Kevin Rudd's *2009 Defence White Paper*, the 2013 document was widely criticised as a politically motivated White Paper that played down the challenges of China's rise in order to justify significant defence spending cuts. See "Government accused of playing down security threat to justify Budget cuts," *ABC PM program*, July 10, 2013 <http://www.abc.net.au/pm/content/2013/s3800233.htm>; Jim Molan, "Why Our Defence Forces

from 2009, when the majority viewpoint outside government held that identifying China as a potential regional menace in the *2009 Defence White Paper* was needless and counter-productive.[20] Prior to 2010, suspicion that a rising China could be enormously disruptive to peace and stability, rather than a contented 'responsible stakeholder' within the pre-existing strategic order were expressed in guarded and almost embarrassed tones. After 2010, such sentiments became far more prominent and publicly accepted.[21] The Australian Track 1.5 and Track 2 workshops prior to 2011 were still largely about how to ensure China's continued 'peaceful rise'. But since 2011 such discussions have become explicitly about how to best counter Chinese assertiveness and provide a stronger check against such behaviour.

While space precludes this paper from going into further detail about the evolution of strategic thinking about China, the account below is intended as this author's summary of the current predominant thinking in Canberra about China and the region, and is accompanied by the author's own analysis and explanations of the reasons behind such thinking in Australian strategic circles. Many points below also reflect much of the thinking in the region. But as later sections will demonstrate, while there is strong Australian and regional consensus about the potential threat

---

Face Terminal Decline," *Quadrant,* March 1, 2013 <https://quadrant.org.au/magazine/2013/03/why-our-defence-forces-face-terminal-decline/>; Stephan Fruhling, "The 2013 Defence White Paper: Strategic Guidance Without Strategy," *Security Challenges* 9:2 2013, pp. 43-50 <http://www.securitychallenges.org.au/ArticlePDFs/SC9-2Fruehling.pdf> all accessed October 7, 2014.

[20] See Ross Cottrill, "Spruiking a China threat is foolish," *Australian Financial Review*, July 21st, 2009 <http://asialink.unimelb.edu.au/__data/assets/pdf_file/0015/401073/cottrill.pdf> accessed October 7, 2014.

[21] See John Lee, "China Won't Be a 'Responsible Stakeholder'," *Wall Street Journal*, February 1, 2010 <http://online.wsj.com/articles/SB10001424052748704722304575037931817880328>; Greg Sheridan, "Time to beat China at its own game," *The Australian*, February 5, 2011 <http://www.theaustralian.com.au/opinion/time-to-beat-china-at-its-own-game/story-e6frg6zo-1226000381520> both accessed October 6, 2014.

posed by China to the regional order and to the interests of specific countries, there is intense disagreement amongst many of Australia's leading non-governmental strategists and influential thinkers as to what the sensible Australian response ought to be.

- Current Australian analysis holds that the first reason China looms as the primary strategic and security concern is because it is the first great power in East Asia to rise outside the U.S.-led alliance system since World War Two. It is also the first time in the post-war period that a major economic and trading power in the region is emerging outside the U.S.-led security order. This means that while the economic and diplomatic integration of China into the region is a promising foundation for China's self-described 'peaceful rise', it is unclear whether Beijing will remain a contented free-rider within a regional strategic structure hitherto characterised by American pre-eminence in the manner of Tokyo or Seoul who remain U.S. allies – much less a 'responsible stakeholder'.
- Unlike post-war Japan, China does not see itself as a 'defeated' power, rising from the ashes of a regional and global war, but one seeking to repair what it sees as a century and a half of humiliation and subjugation by foreign powers. This leads to the uncomfortable if understandable prospect that Beijing would be more willing to challenge aspects of a contemporary albeit still evolving regional and strategic order that it did not have a significant role in creating and upholding.
- It is in this context that Beijing's criticisms of the preservation and upgrading of U.S. alliances in the region, including the 2011 decision by Australia to host up to 2,500 American marines in Darwin, should be understood.[22] China argues that such actions are evidence of an obsolete and provocative 'Cold War' mentality

[22] For example, see Brian Spegele, "China Sees 'Cold War' in U.S.'s Australia Plan," *Wall Street Journal*, December 1, 2011 <http://online.wsj.com/article/SB10001424052970204397704577069840514035280.html> accessed September 23, 2014.

directed against it. It has levied similar criticisms against U.S. alliances with Japan[23] and the Philippines.[24] Indeed, rather than viewing the American hub-and-spokes or San Francisco alliance system as a set of arrangements promoting stability, Beijing considers these to be obsolete and potentially destabilising for East and Southeast Asia.[25]

- It is an inescapable fact that China dominates defence spending in the region. When Asia (including South Asia) is taken as a whole, China is behind 32.5% of military spending, followed by Japan at 18.9%, and South Korea at 9.2%. If one considers that the most powerful Southeast Asian countries such as Singapore, Indonesia and Thailand account for 3.1%, 2.5% and 1.7% of regional strategic expenditure respectively, Chinese military dominance over the region in budgetary terms is clear.[26] While it is true that China's size, growth and population naturally suggest a dominant share of defence expenditure in the region, it is also the case that spending on the PLA has been growing at rates exceeding GDP growth over the past decade,[27] and is likely to continue to do so in the immediate future. In other words, the observation that China's growing military capabilities are 'natural' does not soften the reality that Chinese military dominance over the region in spending terms will only increase.

---

[23] See Leng Baoqing, "It is the US that should ditch its Cold War mentality," *China.ord.cn*, August 15, 2013 <http://www.china.org.cn/opinion/2013-08/15/content_29727199.htm> accessed September 23, 2014.

[24] Ben Lim, "Hagel's sleight of hand hides base deal," *Global Times*, September 9, 2013 <http://www.globaltimes.cn/content/808991.shtml#.UkAVmYZmp8E> accessed September 23, 2014.

[25] See Chen Jimin, "Solving the Northeast Asia Security Dilemma," *The Diplomat*, May 10, 2013 <http://thediplomat.com/china-power/solving-the-northeast-asia-security-dilemma/> accessed September 23, 2014.

[26] Figures from the International Institute for Strategic Studies, *The Military Balance 2013: The annual assessment of global military capabilities and defence economics* (London: Routledge 2013).

[27] International Institute for Strategic Studies, *The Military Balance 2013.*

- Size matters because capabilities matter. Even if one, as Australia is doing, takes a neutral position on the credibility of the disputed maritime claims that variously involve China, Japan, South Korea, the Philippines, Vietnam, Brunei, Malaysia and Indonesia, China is the country whose actions will have the greatest impact on stability in the region. Whereas these other countries including Japan would not have the capacity or else inclination to challenge U.S. naval pre-eminence in the region, China appears to have the ambition and possible means to do so. Whereas adventurism by Japan and South Korea is likely to be restrained by their reliance on the U.S. as a security provider, and whereas assertiveness by Southeast Asian nations is not likely to disturb the broader regional strategic balance due to their lack of military clout, China is not subject to either of these two constraining factors.
- It is not just the size of the Chinese military budget that is significant but its military doctrine and highly tailored anti-access/area-denial (or A2/AD) capabilities. This is based on advanced submarines, ballistic missiles, mines, cyber and other net-worked disruption enhancements specifically designed to deny U.S. forces the capacity to acquire and/or maintain sea-control over the so-called First Island Chain which surrounds China's maritime periphery and stretches from the Kuril Islands in the Russian Far East, to Japan, northern Philippines, Borneo and Malaysia. As the Pentagon observes:

> In the coming years, countries such as China will continue to counter U.S. strengths using anti-access and area-denial (A2/AD) approaches by employing other new cyber and space control technologies. Additionally, these and other states continue to develop sophisticated integrated air defences that can restrict access and freedom of manoeuvre in waters and airspace beyond territorial limits. Growing numbers of accurate conventional ballistic and cruise missile threats represent an additional, cost-imposing challenge.[28]

---

[28] U.S. Department of Defense, *Quadrennial Defense Review 2014* Washington DC: Dept. of Defence, March 2014), pp. 6-7 <http://www.defense.gov/pubs/2014_Quadrennial_Defense_Review.pdf> accessed October 9, 2014.

- Even if the earlier 2011 assessment proves correct and "It is unlikely that China will be able to project and sustain large forces in high-intensity combat operations far from China prior to 2020",[29] the A2/AD approach is primarily designed to deter the U.S. from intervening in a theatre conflict in the Chinese periphery (e.g. the Taiwan Straits, East China Sea or South China Sea) by threatening to inflict prohibitive damage to U.S. naval assets; or failing that, to delay the arrival or reduce the effectiveness of intervening U.S. naval and air forces so that China can presumably present any seizure of a disputed island or territory as a *fait accompli* within that window of time.[30]
- Despite gaps in the PLA Navy's 'joined-up' capabilities,[31] which means that it will not for decades yet be able to exercise sea-control in its periphery, the change in the military balance from one of uncontested U.S. naval supremacy to doubt over U.S. willingness to suffer significant military costs while protecting the territories and interests of its allies, is highly significant. As far as Canberra is concerned, these fears of Chinese capabilities and assertiveness are an important (although not the only) factor motivating regional capitals such as Tokyo, Hanoi and Manila to upgrade their military

---

[29] U.S. Department of Defense, *Annual Report to Congress on Military and Security Developments Involving the People's Republic of China 2011* (Washington DC: 2011), p. 27.

[30] See Ronald O'Rourke, "China's Naval Modernization: Implications for U.S. Navy Capabilities – background and Issues for Congress," *CRS Report for Congress*, September 5, 2013 <http://www.fas.org/sgp/crs/row/RL33153.pdf> accessed September 23, 2014.

[31] See Andrew S. Erikson, "China's Modernization of its Navy and Air Power Capabilities," *Strategic Asia 2012-13: China's Military Challenge* (Washington DC: National Bureau of Asian Research, October 2012); "China's defence spending: new questions," *IISS Strategic Comments* 19:22 August 2013 <http://www.iiss.org/-/media/Silos/Strategic%20comments/2013/China--39-s-defence-spending--new-questions/China--39-s-defence-spending--new-questions.pdf> accessed September 24, 2014.

capabilities.[32] The process of upgrading military capabilities could possibly revive and intensify military competition between dormant rivals and other Southeast Asian third party countries that had previously been held in check in the era of uncontested U.S. naval supremacy. This is an obvious concern for the Australian defence community which prioritizes military superiority over neighbouring countries, in order to protect against any adversary advancing towards its territory.[33]

AUSTRALIA'S ASYMMETRIC RESPONSE TO CHINA'S REGIONAL STRATEGY

The Abbott government is in the middle of writing a new *Defence White Paper* due for release in mid-2015. Although the document is still in the drafting stages, one of the inconvenient realities that the current government is explicitly wrestling with is the implication for the Australian Defence Force should the trend of economic growth in the region continue. According to 2013 figures, Australia's defence budget is currently the fifth largest in the region. But the defence budgets of regional neighbours are likely to rise more rapidly in the future, meaning that Australia's relative military weight in quantitative terms will decline. While it is true that the country's military access to U.S. technologies, and integration with U.S. forces gives the Australian Defence Force a technological and inter-operability edge (in terms of working alongside the U.S.) compared to other countries in the region, the current government is nevertheless well aware that Australia's status as a 'middle power' in East Asia, and the most formidable power in Southeast Asia, is slipping.

Budgetary and other realities mean that suggestions that Australia acquire the capacity to 'rip an arm off a giant (i.e., a great power)' through

---

[32] See Andrew Shearer, "Southeast Asia and Australia: Case Studies in Responding to China's Military Power," in Ashley J. Tellis and Travis Tanner (eds.,) *Strategic Asia 2012-2013: China's Military Challenge* (Washington DC: National Bureau of Asian Research, October 2012).

[33] See Commonwealth of Australia, *Defence White Paper 2013,* para. 1.22.

highly advanced cyber and intelligence awareness capabilities, strong air-strike capabilities (300-400 air-craft including F-35s), and a well-trained crew with some 20-30 submarines is beyond the country's finances; and would dangerously provoke the great power whose arm Australia would seek to target (i.e., China.)[34] But it is also true that Australia, still a formidable and highly capable regional power, cannot simply stand aloof while watching events unfold in the region which could threaten its interests and seriously compromise its capacity to pursue its interests in Asia. The Abbott government is therefore seeking to craft a strategic and security role for Australia that takes into account budgetary realities (which the *2009 Defence White Paper* failed to do) while maximising its impact in protecting and preserving the regional order and status quo.

In light of these constraining realities, the key for Canberra is to pursue *asymmetric strategies* that can help manage China's rise, even if they may not be decisive in and of themselves.

(a) Canberra's view of China's strategy in Asia

Given China's strategic isolation in maritime Asia, Canberra believes that Beijing's fundamental strategy consists of two interrelated approaches or pillars.

The first is for China to seek any opportunity to bind, circumvent, exclude or else bypass America which is militarily more powerful and strategically far better positioned (via its alliances and security partnerships.) The second is for it to reorganise strategic relations and diplomatic negotiations in such a way that the U.S. is excluded, and countries are channelled into dealing bilaterally with China. This would help negate China's weakness as an inferior strategic and military player

---

[34] See Ross Babbage, "Learning to Walk Amongst Giants," *Security Challenges* 4:1 2008, pp. 13-20 <http://www.securitychallenges.org.au/ArticlePDFs/vol4no1Babbage.pdf> accessed October 8, 2014. For a discussion and debate on this proposal, see Rory Medcalf, "Questioning Australia's Beowulf Option," *Security Challenges* 4:2 2008, pp. 147-64 <http://www.securitychallenges.org.au/ArticlePDFs/vol4no2DebateArmOff.pdf> accessed October 8, 2014.

to America, and play to its strengths as the largest, fastest growing and arguably most powerful stand-alone Asian nation in the region. These approaches are manifested in a number of ways.

For example, Chinese criticisms of existing alliances as exhibiting a 'Cold War mentality' and a factor for instability are largely attempts at gradually diluting the regional appetite for hosting American military assets in the region, as Beijing realises that America's forward military positions cannot be sustained without these. The same can be said for its support for 'new security concepts' that are based on principles of 'common and cooperative' security rather than on exclusive alliances.[35] Periodic statements by Chinese political and military officials that Australia must 'choose' between ANZUS and a better relationship with China are both an expression of Chinese frustration and a crudely executed strategy.[36] In a similar vein, many commentators argue that Beijing views Seoul as the weak-link amongst U.S. allies and therefore a potential 'swing state'.[37]

Multilaterally, China has long promoted institutions that exclude the U.S. like pre-eminent security regimes such as ASEAN+3,[38] and attempted to deny the U.S. membership in emerging regimes such as

---

[35] See *China Defence White Paper 2013: The Diversified Employment of China's Armed Forces* (Beijing: Information Office of the State Council 2013) <http://news.xinhuanet.com/english/china/2013-04/16/c_132312681.htm> accessed September 25, 2014.

[36] For example, see Philip Wen, "Chinese official: it's us or America," *Sydney Morning Herald*, May 16, 2012 <http://www.smh.com.au/federal-politics/political-news/chinese-official-its-us-or-america-20120515-1yp5f.html> accessed September 25, 2014.

[37] See Sunny Seong-hyon Lee, "China targets South Korea with soft power," *Asia Times*, April 10, 2013 <http://www.atimes.com/atimes/Korea/KOR-01-100413.html> accessed September 25, 2014.

[38] See John Lee, "China's ASEAN Invasion," *The National Interest* May/June 2007, pp. 40-46 <http://nationalinterest.org/article/chinas-asean-invasion-1563> accessed September 25, 2014.

the East Asia Summit[39] (although this is now obviously a lost cause). In ASEAN forums that do include America, China consistently attempts to exploit the ASEAN preference for consensus by dividing Southeast Asian members on issues pertaining to Chinese interests, thereby rendering these forums impotent and less relevant.[40]

The 'divide and negate' strategy for ASEAN is complemented by Beijing's insistence that maritime and other disputes (such as in the South China Sea and water rights in the Greater Mekong Region) are negotiated bilaterally with the individual disputant, rather than discussed multilaterally.[41] This allows China to either intimidate a much smaller claimant during any bilateral negotiation, or else use the tools of statecraft and seduction available to a much larger power. At the very least, the non-involvement of a more powerful third party like the U.S. allows China to delay any comprehensive settlement with minimal pressure exerted on it

---

[39] See C. Fred Bergsten, Bates Gill and Nicholas R. Lardy, *China: The Balance Sheet – What the World Needs to Know about the Emerging Superpower* (Washington DC: Public Affairs 2007), pp. 118-154; Donald K. Emmerson, "US, China role play for ASEAN," *East Asia Forum*, November 25, 2011 <http://www.eastasiaforum.org/2011/11/25/us-china-role-play-for-asean/> accessed September 25, 2014.

[40] See "Is China trying to split ASEAN?," *The Diplomat*, May 30, 2012 <http://thediplomat.com/flashpoints-blog/2012/05/30/is-china-trying-to-split-asean/> accessed September 25, 2014; "Divided we stagger," *The Economist*, August 18, 2012 <http://www.economist.com/node/21560585> accessed September 25, 2014; Jeremy Grant, Ben Bland and Gwen Robinson, "South China Sea Divides ASEAN," *Financial Times*, July 16, 2012 <http://www.ft.com/cms/s/0/3d45667c-cf29-11e1-bfd9-00144feabdc0.html#axzz2fs55Cx4w> accessed September 25, 2014.

[41] See Ian Storey, "China's Bilateral and Multilateral Diplomacy in the South China Sea," in Patrick Cronin (eds.,) *Cooperation from Strength: United States, China and the South China Sea* (Washington: Center for a New American Security January 2012), pp. 51-66 <http://www.cnas.org/files/documents/publications/CNAS_CooperationFromStrength_Cronin_1.pdf> accessed September 25, 2014.; Huy Duong, "Negotiating the South China Sea," *The Diplomat*, July 20, 2011 <http://thediplomat.com/asean-beat/2011/07/20/negotiating-the-south-china-sea/> accessed September 25, 2014;

by larger powers, while it physically consolidates its claims: an approach some in Southeast Asia have described as 'talk and take'.[42]

In summary, the Chinese strategy seeks to *simplify* the region: reduce it down to a one-on-one negotiation or competition with weaker powers, whilst removing the influence of a superior American player.

(b) Towards an asymmetric Australian response

As a counter-strategy, the Abbott government seems to be increasingly convinced that it is in Australia's overriding interest, and within its capacity, to *complicate* matters for China via a number of policies vis-à-vis Southeast Asia and Japan, which fulfils the imperative of minimising overt confrontation with, or provocation of, China. This can be achieved in a number of ways.

The first is to reaffirm and reinvigorate the ANZUS alliance. While this is already being done and will certainly be a central feature of the *2015 White Paper*, Australian strategic planners are clear that Canberra has an abiding strategic interest in ensuring that China is not in a position to challenge or erode key pillars of the existing U.S.-led alliance system, and that the health of ANZUS has a powerful demonstration effect on the rest of the region.

In this context, offering a realistic pathway towards increasing defence spending – which was at 1.59% of GDP when the Abbott government took office and is at its lowest level since 1938 – provides a credible demonstration of genuine willingness and capacity to contribute meaningfully to U.S.-led coalition burden sharing in the region. In contrast, any overt 'free-riding' by coalition partners will raise doubts about the future viability of regional alliances.

Bear in mind that many countries in Southeast Asia are in what might be termed a 'strategic holding pattern', watching closely what other allies and long-standing partners of the U.S. are doing. So far, no American ally or partner has strategically 'turned'. On the contrary, most

---

[42] Ian Storey, "China's Bilateral and Multilateral Diplomacy in the South China Sea," pg. 56.

are transitioning away from pure 'hedging' against China to 'balancing' with America, even if there are significant differences between the preparedness of these countries to commit to 'hard' balancing strategies against China.[43] Even so, the deepening of security relationships between the U.S. and its allies and partners is widely welcomed as a force for stability, despite Chinese arguments to the contrary. A robust and invigorated ANZUS alliance – combined with greater capacity for the Australian Defence Force in helping to police and enforce a rule-based

[43] All countries in the region are engaged in what might be termed 'soft balancing': the use of tacit, informal and institution-based approaches to raise the collective/political diplomatic costs on China of misbehaviour and over-assertiveness. An example would be the reliance by many Southeast Asian countries on ASEAN mechanisms and norms, and the continued support for a binding Code of Conduct in the South China Sea. A number of countries are engaged in so-called 'internal balancing': building up their own national defence capabilities without explicit reference to China. Singapore and Malaysia are two countries engaged in 'internal balancing', with Indonesia possibly heading in that direction also, given its interest in enhancing its submarine capabilities. A third group is engaged in 'hard balancing': building up capabilities, inter-operability and security relationships with like-minded powers to help balance against growing Chinese military power even if China is rarely named as a military competitor. Japan, the Philippines, Vietnam and Australia would be in this category. Note that China is a major but not the *only* security concern of these countries. For example, Australia is also preparing for the emergence of potential competitors in Southeast Asia.

It is also interesting to note that countries engaged in 'soft' and 'internal' balancing such as Singapore and Malaysia know that pre-existing security relationships with the U.S. in particular – and exercises and other forms of military and strategic competition – can be readily upgraded to help counter China if the need arises; although these countries would prefer not to take that option.

Finally, the strategic directions of two American treaty allies – South Korea and Thailand – are somewhat ambiguous when it comes to their China-policy. Although both have upgraded their military relationships with America in recent years, they tend to ensure that enhanced military cooperation with America is not even implicitly referenced to countering China. Seoul's focus is on deterring North Korea while Bangkok seems to be engaged in 'hedging' rather than 'balancing'. These two countries also appear to share increasingly close political relations with Beijing.

maritime commons in parts of the Asia-Pacific – will increase confidence that one key alliance pillar of the San Francisco system stays strong.

This will help the regional 'strategic holding pattern' to persist by encouraging potential 'swing states' to hold the line, continue balancing behaviours, and not change their strategic trajectory towards China. If alliances and coalition operations function effectively, the capacity and perception of China's ability to successfully challenge the strategic environment on any issue will be significantly weakened.

Second, and more than inter-operability and joint readiness with U.S. forces, Australia is likely to work harder to ensure that there is strong and broad support by key Southeast Asian countries for a robust and reinvigorated ANZUS alliance. Incongruously, the diplomacy surrounding the announcement in November 2011 to base up to 2,500 U.S. marines in Darwin was flawed, even if the strategy was sound. While Canberra and Washington viewed the decision as an important pillar of the widely welcomed U.S. 'pivot' or 'rebalance' to Asia,[44] the failure to inform Jakarta about the announcement caused the latter's Foreign Minister Marty Natalegawa to wonder aloud whether the arrangement would generate a "vicious circle of tension and mistrust."[45]

In reality, the greater American presence in Australia and other parts of the region is broadly in Indonesia's (and Southeast Asia's) interest. Jakarta's complaints were issued as a diplomatic slap against Canberra's lack of bilateral consultation and cooperation in defence matters as agreed in the '2006 Australia-Indonesia Agreement on the Framework for Security Cooperation', which is otherwise known as the *Lombok Treaty*. One suspects the Australian diplomatic misstep occurred because the Julia Gillard government failed to grasp the strategic benefits of an

---

[44] See Justin Goldman, "Is Darwin the Glue for US-Indonesian Cooperation," *PacNet 11A*, February 17, 2012 <http://csis.org/files/publication/Pac1211A.pdf> accessed September 25, 2014.

[45] Tom Allard, "Indonesia wary of strengthened Australia-US defence ties in Darwin," *Sydney Morning Herald*, November 19, 2011 <http://www.smh.com.au/national/indonesia-wary-of-strengthened-australiaus-defence-ties-in-darwin-20111118-1nnfd.html> accessed September 25, 2014.

upgraded relationship with the U.S. to the region as a whole and not just to Australia, and therefore did not think to secure Jakarta's understanding and agreement prior to the Darwin announcement.

Third, Australia will seek to integrate the strategic thinking shaping its bilateral relationship with Southeast Asian countries with its China-focused strategy, rather than treating these as unrelated components with the goal of complicating China's strategic calculations. By developing an ever denser albeit still patchy network of strategic and military relations in the region between countries with a common interest in strategic stability and the status quo, Beijing's strategic and diplomatic calculations in pushing the military envelope on controversial issues (such as claims in the South China Sea) will become fraught with uncertainties and unintended consequences that may damage Chinese interests.

The same logic is behind recent significant gains in the Australia-Japan security relationship. Besides Canberra's interest in gaining access to Japanese submarine technologies, the advances in the bilateral security relationship, built on foundations laid in 2007 during Howard's last term,[46] is very much about creating a denser network of bilateral security relations between like-minded nations in the region.[47]

The determination to beef up the regional network of security relations also explains Australia's interest in using the American troop rotation in Darwin as a setting for joint military exercises with Indonesian, Malaysian, Singaporean, Thai and Filipino armed forces.

---

[46] See Aurelia George Mulgan, "Australia-Japan Relations: New Directions," *ASPI Strategic Insight*, July 2007 <https://www.aspi.org.au/publications/strategic-insights-36-australia-japan-relations-new-directions/SI36_Australia_Japan.pdf> accessed October 8, 2014.

[47] See "Australia Japan Defence Agreement", *The Senate: Questions Without Notice*, Commonwealth of Australia Parliamentary Debates, July 8, 2014 <http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansards/2d3f29f6-b45c-47d1-9882-e3b918b1f3c6/0024/hansard_frag.pdf;fileType=application%2Fpdf>; Greg Sheridan, "'Special relationship' between Australia and Japan begins," *The Australian*, July 8, 2014 <http://www.theaustralian.com.au/national-affairs/foreign-affairs/special-relationship-between-australia-and-japan-begins/story-fn59nm2j-1226981044389> both accessed October 8, 2014.

It is anticipated that Beijing will also be invited to participate in some exercises. But this will be done on Australian and allied terms in the hope that such an approach will enmesh Beijing in a network of pre-existing and deepening relationships that entrench stability, and in the process encourage restraint from Beijing. In contrast, a region of unconnected strategic players professing neutrality or else indifference to the maintenance of the strategic status quo is much more likely to embolden Beijing, and offer incentives for it to behave more assertively, possibly causing it to overreach with disastrous consequences for all.

Furthermore, and of strong interest to the region will be a likely shift in Australian thinking about Indonesia. The *2009 White* Paper was the most upfront in claiming that it was in Australia's "enduring strategic interest" to prevent any nation from "developing the capacity to undertake sustained military operations within our approaches,"[48] with the implication that Indonesia is the most likely Southeast Asian candidate. Besides the fact that Australia cannot actually prevent nations such as Indonesia from acquiring these capabilities, it may not even be in its interest to attempt to do so.

Instead, rather than preventing the rise of powerful states in its periphery (which is impossible and therefore self-defeating), Australian defence planners will increasingly explore ways to actively aid and encourage the rise of friendly, democratic and stable states in Southeast Asia *while these states are rising* so as to lay the groundwork for genuine strategic partnerships in the future. Canberra will also demonstrate to them that it seeks their contribution to maritime order and rule-of-law in the region. Doing so would not only improve Australia's standing with Southeast Asian states, but also complicate Beijing's attempts to neutralise as many countries as possible, thereby providing Australia further strategic and diplomatic buffers and depth against a hostile East Asian power.

---

[48] Commonwealth of Australia, *Defending Australia in the Asia Pacific Century: Force 2030,* para. 5.8.

This is not a new idea in Australian thinking. Even the *1996 Dibb Review*[49] of defence capabilities identified Indonesia as Australia's most important neighbour, arguing that the Indonesian archipelago potentially forms a protective barrier to Australia's northern approaches.[50] If Canberra is able to persuade Jakarta to look north rather than south in assessing risks and threats, then it will have achieved a momentous strategic coup – given the often difficult historical relations between the two countries.

Of course, the Australian Defence Force will still prudently ensure that it has the capacity to constitute a minimal deterrent against any future Southeast Asian power seeking to violate Australia's northern approaches – whilst abandoning the impossible hope that it can prevent countries from acquiring the capacity to attempt military operations within its approaches. And if a country like Indonesia takes an unexpected turn for the worse in adopting a more militarised and disruptive posture, Canberra can be sure of finding willing Southeast Asian *ad hoc* security allies in Singapore and Malaysia.

BEYOND POLICY: AUSTRALIA DEBATES CHINA

Australians live in a rich country and arguably have the highest standard of living in Asia. Their country enjoys a security alliance and relationship with the U.S. which is second to none in terms of intimacy in the region, and is based on firm foundations of common values, common interests, and to a great extent, a common culture. The country's geography removes it from the coalface of tensions in East Asia, while it does not have territorial or maritime disputes with other countries in the region. In addition to an Australian society that encourages open debate and

---

[49] Paul Dibb, *Review of Australia's Defence Capabilities* (Canberra: Department of Defence, March 1986) <http://www.defence.gov.au/SE/publications/defreview/1986/Review-of-Australias-Defence-Capabilities-1986_Part1.pdf> accessed October 9, 2014.

[50] See Peter Jennings, "Why we need deeper ties with Indonesia," *The Australian*, October 1, 2014 <http://www.theaustralian.com.au/news/why-we-need-deeper-ties-with-indonesia/story-e6frg6n6-1226730270637> accessed October 1, 2014.

criticism of government policy, these factors allow Australian strategists and other persons of influence the 'freedom' (or regional critics might say 'indulgence') to speculate on alternative approaches to managing China in a way that would be unlikely to occur in Northeast and Southeast Asian countries.

This section is not designed to offer a comprehensive account of debates taking place outside government circles in Australia. Rather, it offers a small number of influential 'dissenting' views of government policy put forward by prominent Australians that will be of interest to Southeast Asians, and teases out some of the assumptions behind these dissenting viewpoints.

(a) The perils of doubling down on the San Francisco alliance system

The major criticisms of current Australian strategic policy tend to warn against reinvigorating the ANZUS alliance and doubling down on the U.S.-led alliance and security system as the best approach to manage China's rise peacefully. Arguably, the three most prominent commentators pushing these lines are Hugh White (academic and former senior defence official), and two former Prime Ministers, Paul Keating (1991-96) and Malcolm Fraser (1975-83).

Although there is insufficient space here to go through the above views in detail, they can be summarised as follows. The heart of White's thesis, which is in its most complete form in *The China Choice*,[51] is that Australia ought to use its influence to persuade the U.S. that maintaining primacy is all but impossible. This means that the U.S. has three main options in the face of growing Chinese power: contest leadership in Asia; voluntarily cede primacy; or else establish a regional concert of great powers. As he goes on to argue, the first option is likely to lead to a war, *a la* Europe in 1914. The second is highly unlikely to be even contemplated by Washington, and would lead to unknown and probably undesirable

[51] Hugh White, *The China Choice: Why America Should Share Power* (Melbourne: Black Inc 2012).

ramifications for regional countries. The third, although difficult to achieve, is the region's best prospect for peace and stability.

As White concedes, such a 'concert of powers' predicated upon the U.S. sharing power with China will require some very awkward and difficult decisions to be taken. For a start, the U.S. would have to treat China as a strategic, political and moral equal. More troubling for much of the region is that Taiwan would be 'sacrificed' under White's construction. Indo-China would be explicitly recognised as a Chinese sphere of influence. In such an arrangement, Japan is likely to become a nuclear armed power – an outcome White expects and accepts as necessary and inevitable in the long term in any event. White concedes that these decisions would not serve the specific interests of many smaller powers in Asia. But his argument is that the alternative – stumbling towards a major war involving China – is less desirable.

The positions taken by Keating and Fraser are far less systematic and not particularly well thought through, but influential nevertheless. Keating argues that the U.S. will not be able to win another major war in Asia involving a regional great power presently or in the foreseeable future, meaning that "the future of Asian stability cannot be cast by a non-Asian power – especially by the application of U.S. military force."[52] This means that the U.S. and its allies such as Australia should emphasise strategic cooperation with China rather than confrontation – a logic which Keating believes is increasingly supported by China's economic importance to Australia and the region.

Fraser goes further than Keating, arguing that Australian governments in recent times had surrendered the nation's strategic independence to the U.S., and that Canberra's devotion to ANZUS should be wound back.[53]

---

[52] See Greg Earl, "US wrong on China: Keating," *Australian Financial Review*, August 7, 2012 <http://www.afr.com/p/national/us_wrong_on_china_keating_Bjp2FY9i9j5ahuD7iGsQBP> accessed October 8, 2014.

[53] See Mark Kenny, "Malcolm Fraser Warns Australia risks war with China unless US military ties are cut back," *Sydney Morning Herald*, April 25, 2014 <http://www.smh.com.au/federal-politics/malcolm-fraser-warns-australia-risks-war-with-china-unless-us-military-ties-cut-back-20140425-zqz8p.html> accessed October 8, 2014.

Unsurprisingly, and using related reasoning, White, Keating and Fraser are also all critical of the Abbott government's decision to establish a closer strategic, military and intelligence relationship with Japan.

(b) Understanding and refuting the underlying logic of the 'dissenters'

White's view is driven by the logic that China's assertive behaviour is fuelled by the desperation of any rising great power to acquire 'strategic space' – which it is currently being denied by America and its allies. Keating's view follows the notion that the Asian strategic order should be shaped by Asians, and any other formation would be an unnatural and unsustainable external imposition. Fraser's position is driven by a fear that alliance commitments could needlessly draw Australia into a conflict in Northeast or Southeast Asia. Underlying all these positions is the idea that U.S. military pre-eminence vis-à-vis China is no longer sufficiently dominant to support U.S. strategic pre-eminence. The argument is that radically revising a post-war order that can no longer hold is far preferable – despite the unknown or unintended consequences – to unsuccessfully preserving that failing order.

The purpose of this section is not to enter into a substantial discussion of the merits or otherwise of these viewpoints, save to point out some of the obvious flaws in these positions from this author's point of view. For example, and with respect to White's thesis, there is little evidence that 'sacrificing' Taiwan would permanently satisfy Chinese regional ambitions – particularly in the East or South China Seas. Integrating Taiwan into mainland China would simply give Beijing a greater strategic gateway into the Western Pacific and would seriously undermine U.S. credibility as an alliance partner, thereby diluting the U.S. strategic role by a greater margin than was ever intended.

Moreover, recognising Indo-China as a Chinese sphere of influence makes little moral or strategic sense. Vietnam would never agree to it, nor could one reasonably expect it to. Arguably, negotiating Chinese suzerainty over Vietnam will engender rather than subdue conflict in that part of the region. More broadly, there is little guarantee or even likelihood that elevating China as an equal to the U.S. in Asia will lead to

greater Chinese contentment. After all, China sees itself as the permanent 'Middle Kingdom' in Asia, and the U.S. as a foreign power. No matter how much is conceded, rising powers tend to want just a little more over time as they become more powerful. And the prospect of a nuclear-armed Japan (and possibly South Korea) that is the likely result of White's prescriptions would create significant headaches for the region, and may in any event be an intolerable outcome for Beijing and Seoul.

Keating's position is even less persuasive. In claiming that a stable strategic order in Asia can only be decided by Asians, he ignores the reality that regional states fear, above all, the rise of a dominant *Asian* power. This explains the overriding preference for U.S. pre-eminence over China in the current age and over Japan in a previous one. Dominant foreign powers such as the U.S. require the acquiescence of local states in order to maintain their forward military positions, and are to a greater extent structurally bound to provide public security goods in return. In contrast, a dominant Asian power would not be under the same constraints.[54] In addition to its imperial history in the first half of the previous century, this helps explain why the region was deeply uncomfortable with the prospect of the re-emergence of a dominant Japan in the 1980s and 1990s, even though it was rising as a liberal-democratic power.

Indeed, Keating's position appears to be wilfully blind to the reality that all of the key security regimes in the region, such as the East Asian Summit and ASEAN Regional Forum, rely on U.S. participation to remain relevant, and that U.S. participation and its strategic presence more generally remain the highest priority for almost all of the region's key states. In other words, Asian states have chosen a strongly engaged and strategically preeminent America. Keating himself argued in a November 2013 speech to the 21st Century Council in Beijing, "As it (China) steps up to a larger leadership role it will at the same time need to be willing to accept and respect restraints on the way it uses its immense

[54] See John Lee, "Why America will lead the 'Asian Century," *CIS Foreign Policy Analysis 1*, August 19, 2009 <http://www.cis.org.au/publications/foreign-policy-analysis/article/1316-why-america-will-lead-the-asian-century> accessed October 9, 2014.

strength…"[55] Apparently, it has escaped the former prime minister that the U.S. presence is an essential element of ensuring such restraint on Beijing's part, and without American forces, there is much less of the effective strategic or military balance required in the region to serve as a check or constraint on Chinese behaviour.

Finally, Fraser's position is designed to ensure that Australia avoids being dragged into a conflict as an American ally. These fears are legitimate as Washington is likely to expect an Australian contribution in the event of a major conflict in the Taiwan Straits and perhaps even the East China Sea involving American forces.[56]

Yet, it is unlikely that Fraser's advocacy for neutrality or perhaps even isolationism would serve Australia's interests. By effectively withdrawing from ANZUS, the Australian Defence Force (ADF) would lose access to defence materiel, intelligence, research and development, communications systems, skills and expertise that strengthen the ADF and position it as one of the most advanced in the region.[57] Without access to these advantages, the ADF would not be the same formidable force unless there is a considerable increase in expenditure – which is close to a fiscal impossibility for the current and any future government in Canberra. Moreover, as countries in Asia grow more prosperous and their defence budgets rise, Australia's advantage in military innovation, technology and inter-operability with the U.S. would be lost.

Furthermore, and as argued earlier, the region is in a strategic holding pattern, watching to see whether the alliance system can endure and adapt. Should Australia accept Fraser's prescriptions and withdraw from

---

[55] Paul Keating, "China's Responsibilities," *Speech to 21st Century Council*, Beijing, November 3, 2013 <http://www.lowyinterpreter.org/post/2013/11/27/Paul-Keating-on-Chinas-responsibilities.aspx?COLLCC=2673821426&> accessed October 9, 2014.

[56] How modest or extensive the expectation of the Australian contribution might be would depend on the particular circumstances and administration in power at the time.

[57] See Paul Dibb, "Is the US Alliance of Declining Importance to Australia?", *Security Challenges* 5:2 2009, pp. 31-40 <http://securitychallenges.org.au/ArticlePDFs/vol5no2Dibb.pdf> accessed October 9, 2014.

ANZUS, the demonstration effect of such an occurrence could hasten the degradation or even demise of the region's security architecture. In that scenario, the subsequent disruption to the regional order upon which stability and open access to SLOCs depends would not serve the economic or security interests of any country in the region. As a trading nation, neutrality or isolationism would not save Australia. In other words, if it adopts Fraser's position, Canberra would undermine the very conditions upon which its continued prosperity and freedom of action is based.

CONCLUSION

Poor logic in policy prescription and speculation is one thing. But which policies a country adopts into the future can be based on a number of rational and emotional factors. In Australia, and even though the U.S. strategic presence and engagement in the region is the *sine qua non* of stability, popular perceptions of the U.S. and its role in the region wax and wane. In a 2014 poll released by the Lowy Institute in Sydney, 78 per cent of Australians considered the alliance with America 'Very Important' (52 per cent) or 'Somewhat Important' (26 per cent). When President George W. Bush ended his term in 2007, the figure was only 63 per cent ('Very Important' was 36 per cent and 'Somewhat Important' was 27 per cent.)[58] When asked in 2013 which country between America and China was more important to Australia, 48 per cent of respondents replied America, but 37 per cent replied China.[59] In the 2005 poll, a majority of Australians polled was 'more concerned' about America's foreign policy than China's, while only 21 per cent of Australians polled agreed with the proposition that Australia should honour its alliance commitments by joining an American war over Taiwan, with 72 per cent disagreeing.[60]

---

[58] Lowy Institute Poll 2014 <http://www.lowyinstitute.org/lowyinstitutepollinteractive/usalliance.php> accessed October 9, 2014.

[59] Lowy Institute Poll 2013 <http://www.lowyinstitute.org/lowyinstitutepollinteractive/aususchina.php> accessed October 9, 2014.

[60] Lowy Institute Poll 2005 <http://usrsaustralia.state.gov/us-oz/2005/03/28/lowy2.pdf> accessed October 9. 2014.

Although the majority of Australia's strategic officials and elites have maintained a fairly consistent view of what policies best serve the national interest, the public perception is somewhat more elastic and unpredictable. Although the views of commentators such as White, Keating and Fraser have largely been rejected by the country's strategic elites, these views do have significant support amongst groups and individuals in Australia. And it is elected politicians rather than permanent officials that ultimately make and change policy.

Nevertheless, and for the moment, there are strong reasons why Australian policy under the Abbott government is likely to continue along the lines described earlier. One reason is that public support for such policies is strong, especially in light of China's more assertive behaviour over the past few years. Meanwhile, many of the key figures in the Abbott government – Foreign Minister Julie Bishop and her key advisers, Abbott's influential national security adviser Andrew Shearer, a key architect of the upcoming *2015 Defence White Paper* Peter Jennings, senior officials within the Departments of Defence and Foreign Affairs & Trade as well as the strategic intelligence agencies, to name a few – are broadly in agreement in following the path of strengthening ANZUS and the U.S.-led security system. Almost all countries in the region have also been following this path, meaning that it will be awkward for a U.S.-alliance country such as Australia to break ranks.

Finally, the previously dominant narrative that China can continue to grow rapidly for decades to come, while the U.S. is entering relative if not terminal decline is increasingly being questioned. China's GDP growing at a more 'normal' 3-4 per cent over the next few decades, rather than a spectacular 7-10 per cent creates a different psychological mindset. Likewise, a sustained American economic recovery, or even a continued Indian economic rise, will remind all that China is only one of several great powers in the region. If so, this will take some wind out of the sails of those agitating for the dramatic strategic reorganisation of Asia – which would be much to this author's and Southeast Asia's relief.

TRS12/14

ISBN 978-981-4620-34-5