



## Current Security Issues: Deradicalisation, China's economic influence and maritime developments in South-East Asia

*Looking Outward:  
Enhancing Australia's Deradicalisation and  
Disengagement Program*  
Kristen Bell

*Coming to Terms with China:  
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*Some Thoughts on Australia and the  
Freedoms of Navigation*  
Sam Bateman



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## Editors' Note

This edition of *Security Challenges* is published at time when tumultuous events in Europe, the Middle East and Asia all demand the attention of Australian decision-makers.

The consolidation of Islamic State's control over parts of Iraq and Syria has generated debate about Australia's role in responding to the local, regional and global threats the movement could pose. In this issue, Kristen Bell's article on deradicalisation programs provides insights into how the risk of returning Australian fighters might be most effectively managed.

As the Shanghai composite index lost 43 per cent of its value in a little over two months, concerns over Australia's economic reliance on China have deepened. Mark Beeson and Jeffrey Wilson's article is thus very timely, and makes an important contribution to such discussions and debates. Given China's recent island reclamation efforts in the South China Sea, Natalie Sambhi's assessment of Indonesian President Jokowi's 'Global Maritime Axis' provides the reader with a valuable update on the direction of Indonesian naval policy.

Finally, at the request of the Editorial Team, Professor Sam Bateman has taken some of his recent online posts and converted them into a Comment piece that assess Freedom of Navigation exercises in the South China Sea. We are very grateful to Sam bringing together his views in one piece, and for the ASPI Strategist and the ANU's East Asia Forum for letting us adapt their material for this format.

The next issue of the journal will feature extensive analysis of the 2015 Defence White Paper. Accordingly, the timing of publication will depend on when the White Paper is released.

*Andrew Carr, Peter Dean and Iain Henry*  
Managing Editors  
September 2015





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# Looking Outward: Enhancing Australia's Deradicalisation and Disengagement Programs

Kristen Bell

In the coming years, Australia will face a cohort of violent extremists different to anything it has experienced in the past. In the face of the potential threat posed by violent extremists and returning foreign fighters, expansion of Australia's existing deradicalisation and disengagement programs will be necessary. Deradicalisation and disengagement programs in other countries show that with sufficient resources, funding and long-term commitment to success, positive results in deradicalising and disengaging violent extremists and radicalised individuals can be achieved. To this end, Australia would be wise to look outward and consider the lessons and experiences from other countries to determine how to best expand Australia's existing deradicalisation programs.

In June 2014 the British Prime Minister, David Cameron, said "the biggest threat to national security [which] exists today is the return of foreign fighters from Iraq and Syria".<sup>1</sup> Many governments and security agencies are concerned about the potential risks posed by 'fighters' returning home from the Syrian conflict with combat experience, radical ideologies and malicious intent. Recent reports from the United States' Federal Bureau of Investigation,<sup>2</sup> along with Australia's own intelligence and security agencies, suggest there are as many as 12,000 non-Syrians participating in the Syrian civil war.<sup>3</sup> While the vast majority (some 9,000) of these 'foreign fighters' come from the Middle East, 25 per cent (some 3,000) are believed to come from Western nations.<sup>4</sup> Of these, approximately seventy are thought to be Australian, with a further twenty Australians believed to have already been killed in the conflict.<sup>5</sup>

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<sup>1</sup> Andrew Marszal, 'Iraq Crisis: June 17 as it Happened', *The Telegraph*, <telegraph.co.uk> [Accessed 17 June 2014].

<sup>2</sup> Michael Steinbach, 'Statement before House Committee on Homeland Security', Federal Bureau of Investigation, 11 February 2015, <www.fbi.gov/news/testimony/the-urgent-threat-of-foreign-fighters-and-homegrown-terror> [Accessed 3 August 2015].

<sup>3</sup> Australian Security Intelligence Organisation, 'Opening Remarks: Senate Estimate Hearings' 11 December 2014, <www.aph.gov.au/~media/Committees/legcon\_ctte/estimates/sup\_1415/AGD/Hartland\_ASIO\_20141211.pdf> [Accessed 3 August 2015].

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

Andrew Zammit suggests that “there are well founded fears that some Australians fighting with them [extremist groups in Iraq and Syria] may return with deadly skills, connections and intentions”.<sup>6</sup> The issue facing Australia is what do to with returning foreign fighters and how best to address the risks posed by individuals—both returning from Syria and also those still within Australia—who hold extremist views. Given the significance and urgency of these issues, a more robust discussion about Australia’s disengagement and deradicalisation programs is needed.

After providing an overview of relevant theory, this article assesses both Australian and foreign deradicalisation and disengagement programs. In assessing the efficacy of these programs, I identify aspects of foreign programs that could be used in future Australian deradicalisation efforts and suggest how these could be incorporated into Australia’s extant programs. The article concludes by arguing that while deradicalising and disengaging returning foreign fighters and violent extremists may not be easy or politically palatable, current trends suggest such efforts will inevitably be necessary. In looking to overseas programs of a similar nature, Australia can enhance the effectiveness of its own deradicalisation and disengagement programs.

## Disengagement and Deradicalisation Theory

Deradicalisation and disengagement, like terrorism, are complex phenomena. Study of these issues involves a range of disciplines from psychology and sociology, to counter-terrorism, theology and national security. Perhaps because of this, the concept of deradicalisation is poorly defined<sup>7</sup> and no one standard definition of deradicalisation exists.<sup>8</sup> Further, the terms deradicalisation and disengagement are not mutually exclusive, as an individual can be disengaged but not deradicalised.<sup>9</sup> For instance “many violent extremists may cease violent behaviour, but still hold strong anti-social ideas and political goals”.<sup>10</sup>

Jones describes deradicalisation as the “process of abandoning an extremist world view and concluding it is not acceptable to use violence [as a means of achieving ones aims]”.<sup>11</sup> Thus, deradicalisation is predominately focused on the psychological changes within an individual, such as a reinterpretation of

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<sup>6</sup> Zammit quoted in David Wroe, ‘Australians Fighting for Rebels in Iraq’, *The Canberra Times*, <canberratimes.com.au> [Accessed 19 June 2014].

<sup>7</sup> Kate Barrelle, ‘Disengagement from Violent Extremism’, Global Terrorism Research Centre, Monash University, (2010), <hartsonline.monash.edu.au/radicalisation/files/2013/03/conference-2010-disengagement-from-violent-extremism-kb.pdf> [Accessed 3 August 2015], pp. 1-20.

<sup>8</sup> Clarke Jones, ‘Terrorists Can Be Turned Around—Here’s How’, *The Drum*, <www.abc.net.au/news/2014-10-08/jones-terrorists-can-be-turned-around/5796544> [Accessed 14 March 2015].

<sup>9</sup> John Horgan, ‘De-Radicalisation or Disengagement? A Process in Need of Clarity and a Counterterrorism Initiative in Need of Evaluation’, *Perspectives on Terrorism*, vol. 2, no. 4 (2008), pp. 3-8.

<sup>10</sup> Barrelle, ‘Disengagement from Violent Extremism’, p. 10.

<sup>11</sup> Jones, ‘Terrorists Can Be Turned Around—Here’s How’.

one's values and beliefs away from extremist views. By contrast, disengagement is focused on purely behavioural changes such as no longer using violence or materially supporting terrorism. Rather than resulting in a psychological shift and an abandonment of previous beliefs, disengagement results in an individual ceasing an undesired behaviour or choosing non-violent means of expressing their views.<sup>12</sup> Fink and Hearne describe disengagement as not necessitating a change of values and ideals, but rather rejecting the belief that violence is an acceptable way of realising these goals.<sup>13</sup> While there will undoubtedly be some psychological changes within the individual through disengagement—as would be needed to change one's rationale to use violence—the main goal is to move the individual away from the support or use of violence.

While deradicalisation would be the utopian goal, in Australia, disengagement is a more practical aim.<sup>14</sup> Firstly, as an open democratic society, Australia prides itself on freedom of speech and tolerance of others views. Secondly, even though shifting individuals' extremist beliefs to those of a more tolerant and peaceful existence would be the ultimate risk reduction measure, moving such individuals to the expression of their opinions via non-violent means is sufficient for the purposes of reducing the terrorism threat to Australia. In the end it is not so much the views of these individuals that pose the greatest concern, but rather their belief that violence is the only viable method to express them. For this reason, this article has a greater focus on disengagement than deradicalisation and will predominately refer to disengagement.

## Pathways to Disengagement and Deradicalisation

The pathway to disengagement, like the pathway to radicalisation, is different for everyone.<sup>15</sup> It is an idiosyncratic and individual process, and there is not a 'one-size-fits-all' model.<sup>16</sup> As identified by Horgan "the reasons for *becoming* a terrorist, *staying* a terrorist, and then *disengaging* from

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<sup>12</sup> Horgan, 'De-radicalisation or Disengagement? A Process in Need of Clarity and a Counterterrorism Initiative in Need of Evaluation', p. 4.

<sup>13</sup> Naureen Chowdhury Fink and Ellie B. Hearne, *Beyond Terrorism: Deradicalization and Disengagement from Violent Extremism* (New York: International Peace Institute, 2008), p. 3.

<sup>14</sup> Clarke Jones, 'Turning Terrorists Around', Regulatory Institutions Network [Audio podcast]. <asiapacific.anu.edu.au/news-events/podcasts/turning-terrorists-around#.VcvCQ17z6P8>.

<sup>15</sup> See, for example, Alex P. Schmid, *Radicalisation, De-Radicalisation, Counter-Radicalisation: A Conceptual Discussion and Literature Review*, ICCT Research Paper (The Hague: International Center for Counter-Terrorism, 2013); David R. Mandel, 'Radicalization: What Does It Mean?', in Thomas Pick, Anne Speckhard and Beatrice Jacuch (eds), *Home Grown Terrorism: Understanding and Addressing the Root Causes of Radicalisation among Groups with an Immigrant Heritage in Europe* (Amsterdam: IOS Press, 2009), pp. 101-13; Tinka Veldhuis and Jørgen Staun, *Islamist Radicalisation: A Root Cause Model* (The Hague: Netherlands Institute of International Relations Clingendael, 2009).

<sup>16</sup> Clark Jones, 'Terrorists Can Be Turned Around—Here's How'.

terrorism were often different and context-specific".<sup>17</sup> There is no one specific reason why an individual or group may disengage, but rather disengagement is the result of a culmination of factors which come together in a 'perfect storm'.<sup>18</sup>

"Leaving a terrorist group is an incremental process"<sup>19</sup> and one that takes time.<sup>20</sup> Like radicalisation, an individual does not simply wake up one morning and suddenly become a violent extremist and in a similar vein, a violent extremist does not suddenly choose to abandon their previously strongly held beliefs.<sup>21</sup> However, there do appear to be some similarities in how the processes commences.<sup>22</sup> Fink and Hearne suggest that in order for the 'seed' of disengagement to be planted, a 'cognitive opening' must first occur, allowing for the individual to be receptive to new ideas.<sup>23</sup> This opening can be "triggered by a traumatic experience"<sup>24</sup> that "challenge[s] the coherence of the individual's worldview", or an external event that pushes the individual to question previously held ideas.<sup>25</sup> For example, the loss of a fellow group member or leader which may result in individuals questioning the theological support for their activities. The creation of a cognitive opening is only one part of the disengagement process: individuals must be motivated by other factors to give impetus to their disengagement or deradicalisation.

Once a cognitive opening has occurred, the push and pull factors described by Bjørge<sup>26</sup> and Barrelle<sup>27</sup> provide further motivation for an individual to pursue such change. In the context of disengagement, push factors refer to

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<sup>17</sup> Horgan, as quoted in Fink and Hearne, *Beyond Terrorism*, p. 3. See also, John Horgan, 'Individual Disengagement: A Psychological Analysis', in Tore Bjørge and John Horgan (eds), *Leaving Terrorism Behind* (London and New York: Routledge, 2009).

<sup>18</sup> Royce Hutson, Taylor Long and Michael Page, 'Pathways to Violent Radicalisation in the Middle East: A Model for Future Studies of Transnational Jihad', *The RUSI Journal*, vol. 154, no. 2 (2009), pp. 18-26.

<sup>19</sup> Fink and Hearne, *Beyond Terrorism*, p. 3.

<sup>20</sup> Jones, 'Turning Terrorists Around'.

<sup>21</sup> See, for example, Huston et al., 'Pathways to Violent Radicalisation in the Middle East'; Marieke Sloodman and Jean Tillie, *Processes of Radicalisation: Why some Amsterdam Muslims become Radicals* (Amsterdam: Institute for Migration and Ethnic Studies, 2006); Veldhuis and Staun, *Islamist Radicalisation: A Root Cause Model*; Samuel J. Mullins, 'Rehabilitation of Islamist Terrorists: Lessons from Criminology', *Dynamics of Asymmetric Conflict: Pathways Toward Terrorism and Genocide*, vol. 3, no. 3 (2010), pp. 162-93.

<sup>22</sup> Amanda J. Johnston, 'Assessing the Effectiveness of Deradicalisation Programmes on Islamist Extremists', Naval Postgraduate School, Monterey, CA, 2009, <[www.dtic.mil/dtic/tr/fulltext/u2/a514433.pdf](http://www.dtic.mil/dtic/tr/fulltext/u2/a514433.pdf)> [Accessed 4 August 2015], p. 9.

<sup>23</sup> Fink and Hearne, *Beyond Terrorism*, p. 3.

<sup>24</sup> Ibid.

<sup>25</sup> Renee Garfinkel, *Personal Transformations: Moving from Violence to Peace*, Special Report 186 (Washington, DC: United States Institute of Peace, 2007), p. 11.

<sup>26</sup> Tore Bjørge, 'Reducing Recruitment and Promoting Disengagement from Extremist Groups: The Case of Racist Sub-Cultures', in Cheryl Benard, *A Future For The Young: Options for Helping Middle Eastern Youth Escape the Trap of Radicalization* (Washington, DC: RAND National Security Research Division, 2005), pp. 9-16.

<sup>27</sup> Barrelle, 'Disengagement from Violent Extremism', p. 11.

those “negative social factors or consequences which make it unattractive and undesirable to stay” in one’s current circumstances, such as belonging to an extremist group.<sup>28</sup> Such factors might include, for example, a sense that the group has gone ‘too far’, disillusionment with the group and its cause, or negative social sanctions or experiences for group membership.<sup>29</sup> Conversely, pull factors are those factors which may attract or entice an individual away from a group or violent behaviours, toward a more rewarding alternative.<sup>30</sup> Pull factors are more extrinsic, such as “a longing for a normal life outside the group, pressure from partners and families to pursue other activities and increasing age, as well as a concern for future personal and socioeconomic wellbeing”.<sup>31</sup>

Importantly, Bjørge also highlights that while there are a range of factors that may pull or push someone towards disengagement, there are also factors that inhibit disengagement. These include threats or reprisals from the group for leaving, and a perception of losing one’s identity or betraying one’s ‘family’. Because of negative connotations stemming from their association with extremists, a lack of viable options for individuals to pursue once they have separated from the group may also discourage disengagement.<sup>32</sup> This is an important consideration, as where these factors are present they will need to be minimised or significantly compensated, in order to tip the balance of motivating factors towards those that facilitate disengagement.

### **COLLECTIVE AND INDIVIDUAL DISENGAGEMENT**

How a violent extremist disengages can also be influenced by whether the process is occurring individually or as part of a collective group disengagement. Although both collective and individual disengagements occur there are varying rates of success between the two approaches, with individual attempts often more successful.<sup>33</sup> This appears largely due to the underlying factors motivating the individual to take action.

There are some examples which suggest that, given the right circumstances, group disengagement is possible. Success in this respect has been seen in Egypt, the Middle East and Colombia on several occasions,<sup>34</sup> however in all cases effective group disengagement was largely dependent on “strong charismatic leadership”,<sup>35</sup> as well as a hierarchical group structure.<sup>36</sup> As Barrelle suggests, some individuals will leave terrorism and extremist

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<sup>28</sup> Bjørge, ‘Reducing Recruitment and Promoting Disengagement from Extremist Groups’, p. 9.

<sup>29</sup> Sam Mullins, ‘Rehabilitation of Islamist Terrorists: Lessons from Criminology’.

<sup>30</sup> Bjørge, ‘Reducing Recruitment and Promoting Disengagement from Extremist Groups’, p. 11.

<sup>31</sup> Fink and Hearne, *Beyond Terrorism*, p. 3.

<sup>32</sup> Bjørge, ‘Reducing Recruitment and Promoting Disengagement from Extremist Groups’, p. 13.

<sup>33</sup> Fink and Hearne, *Beyond Terrorism*, p. 3.

<sup>34</sup> *Ibid.*

<sup>35</sup> Mullins, ‘Rehabilitation of Islamist Terrorists: Lessons from Criminology’, p. 164.

<sup>36</sup> Johnston, ‘Assessing the Effectiveness of Deradicalisation Programmes on Islamist Extremists’, p. 15.

ideologies by choice, others will be forced out by the group and still others will be forcibly removed by security agencies and law enforcement.<sup>37</sup> The goal for governments, security agencies and communities in this instance is therefore to identify and understand the factors that contribute to disengagement. By identifying and amplifying these factors, it may be possible to promote and leverage an individual's potential for disengagement, while at the same time encouraging other group members to follow. As examined further below, Australia has made some progress through its current disengagement initiatives. However, while existing programs appear promising and potentially effective, more still needs to be done.

## Australian Disengagement Initiatives

Since 2010 and the development of the Countering Violent Extremism Strategy,<sup>38</sup> Australia has implemented a range of initiatives to counter violent extremism and build community cohesion.<sup>39</sup> These initiatives, largely facilitated at the state level and funded by the 'Building Community Resilience Grants Program', have been focused on early intervention strategies: developing community resilience and encouraging young people to move away from intolerant and radical ideologies.<sup>40</sup> While the vast majority of these programs are counter-radicalisation and prevention strategies, the Federal Government has also indicated that efforts are being made toward "work[ing] with state governments to support the disengagement of convicted terrorists".<sup>41</sup>

It is unclear how much of the Commonwealth Government's \$64 million "countering violent extremism and radicalisation package"<sup>42</sup> (announced as part of the broader \$630 million counter-terrorism package in the *Mid-Year Fiscal and Economic Outlook 2014-15*) has been allocated specifically to disengagement initiatives. However, it seems likely that responsibility for such programs going forward will remain with the states and territories. While specific details of any existing disengagement programs are limited, Professor Shahram Akbarzadeh from Deakin University suggests that Australian disengagement programs are likely to have a strong emphasis on religious education, noting the propensity in Australia to assume that "radical

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<sup>37</sup> Kate Barrelle, 'From Terrorist to Citizen'. Global Terrorism Research Centre, Monash University, (2011). <[www.arts.monash.edu.au/politics/terror-research/---downloads/barrelle-2011-apsa-paper.pdf](http://www.arts.monash.edu.au/politics/terror-research/---downloads/barrelle-2011-apsa-paper.pdf)> [Accessed 4 August 2015], pp. 1-11.

<sup>38</sup> Shahram Akbarzadeh, 'Investing in Mentoring and Educational Initiatives: The Limits of De-Radicalisation Programmes in Australia', *Journal of Muslim Minority Affairs*, vol. 33, no. 4 (2013), pp. 451-63.

<sup>39</sup> It is worth noting that there is limited public information available on Australia's deradicalisation initiatives.

<sup>40</sup> Cat Barker, 'Australian Government Measures to Counter Violent Extremism: A Quick Guide', Department of Parliamentary Services: Research Paper Series, 2014-2015 (10 February 2015).

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

Muslims have a narrow and often inaccurate understanding of Islam and its principles".<sup>43</sup>

With a growing number of Australians being radicalised and foreign fighter numbers growing, expansion of Australia's existing disengagement initiatives will be needed to address the increased risk posed by violent extremism in Australia. As discussed earlier, violent extremists and radicalised individuals do leave extremist groups. However, in order to fully capitalise on potential opportunities to disengage these individuals, Australia will need programs that are comprehensive, evidence-led and are capable of facilitating disengagement. In this context, the programs and initiatives used in other countries provide useful insights and lessons which could be used to expand upon Australia's existing disengagement programs and initiatives.

## **Overseas Disengagement and Deradicalisation Programs**

Like Australia, many countries have recognised that to combat terrorism and violent extremism they need ways to disengage those who might use violence to achieve their aims. In the years that followed 9/11, many deradicalisation, disengagement and rehabilitation programs were established around the world.<sup>44</sup> While most of these programs were established initially in the Middle East, in more recent years Western nations such as Germany, Denmark, Norway and Britain have followed suit by either expanding existing deradicalisation and disengagement programs (aimed at far left and right wing extremists) to include religious extremism, or by developing specific programs directed at those involved in terrorism or religious extremism.

Notable differences exist between such programs in the Middle East, the West, and in Asia. For instance, programs in the Middle East and Southeast Asia tend to be prison-centric and have a greater focus on those in custody, presenting as the more 'hard-core' versions of deradicalisation and disengagement initiatives.<sup>45</sup> In comparison, programs in Europe include both softer community-based initiatives aimed at assisting those wanting to leave extremist groups, as well as more robust prison-based programs for those convicted of terrorism or violent extremism. This difference in approach highlights that when it comes to deradicalisation and disengagement programs, there is not a one-size-fits-all model.<sup>46</sup> Such

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<sup>43</sup> Akbarzadeh, 'Investing in Mentoring and Educational Initiatives', p. 452.

<sup>44</sup> Jones, 'Turning Terrorists Around'.

<sup>45</sup> Johnston, 'Assessing the Effectiveness of Deradicalisation Programmes on Islamist Extremists', p. 6.

<sup>46</sup> Peter R. Neumann, *Prisons and Terrorism Radicalisation and De-radicalisation in 15 Countries* (King's College London: International Centre for the Study of Radicalisation and Political Violence, 2010), p. 49.

programs, if they are to be effective, need to be tailored to fit individual cultures and societies in order to successfully engage local extremists.<sup>47</sup>

### MIDDLE EAST PROGRAMS

Two of the more high-profile programs in the Middle East are those in Yemen and Saudi Arabia. These programs have been chosen as case studies due to their reported large number of participants and the subsequent larger data sets that may give more veracity their outcomes.

The Yemeni deradicalisation program was the first established to counter Islamic extremism.<sup>48</sup> Established in 2002, the Yemeni 'Committee for Dialogue' program<sup>49</sup> shows how violent extremists can be deradicalised and provides key lessons in program design and conduct.<sup>50</sup> Based on the premise that terrorism is built on a foundation of intellect and that any kind of intellectual idea can be defeated itself by intellect, the Committee for Dialogue emphasised dialogue and debate and encouraged participants to challenge the "legitimacy of the Yemeni government, the permissibility of killing non-Muslims, and the appropriate [use] of jihad".<sup>51</sup>

Although the Yemeni program achieved some success it also experienced a number of failures. These were predominately due to the design of the program, which did not include effective after-care or adequate post-program surveillance. It also made several operational mistakes by only including "security detainees suspected of being involved with Islamic extremism and the program relied on voluntary participation", but did not include actual 'terrorists' or those who may have been involved in violence.<sup>52</sup> It was also made clear to detainees upfront that through their participation in the program they may be able to secure early release. This resulted in some detainees 'faking change' or 'currying favour' to reduce their sentences.<sup>53</sup>

The other significant factor that ultimately led to the Yemeni program being declared a failure in 2005 was that the program did not provide support mechanisms for detainees upon release.<sup>54</sup> Although there are suggestions that offers of post-release employment were made to some, many detainees found that these offers were unfounded, leaving them disillusioned and ultimately undoing any progress that had been achieved during the program. Another failure of the Yemeni program was that participants were required to

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<sup>47</sup> Ibid.

<sup>48</sup> Johnston, 'Assessing the Effectiveness of Deradicalisation Programmes on Islamist Extremists', p. 20.

<sup>49</sup> Fink and Hearne, *Beyond Terrorism*, p. 6.

<sup>50</sup> Johnston, 'Assessing the Effectiveness of Deradicalisation Programmes on Islamist Extremists', p. 21.

<sup>51</sup> Johnston, 'Assessing the Effectiveness of Deradicalisation Programmes on Islamist Extremists', p. 21.

<sup>52</sup> Ibid.

<sup>53</sup> Ibid.

<sup>54</sup> Ibid.



promise not to commit acts of terrorism on Yemeni soil. Consequently, because of these failures, a significant number of participants were rearrested for violence and terrorism related offences.<sup>55</sup>

If the Yemeni program was considered a failure, then the Saudi program could be viewed as its slightly richer and better-established cousin. However, despite having a more comprehensive approach, the outcomes of the Saudi program are arguably no better than those achieved by the Yemeni program. Despite this, the Saudi experience provides an opportunity to consider how different program components can affect deradicalisation and disengagement.

The Saudi program, established in 2003, operated on the premise that terrorists and violent extremists could ultimately be deradicalised by a combination of “force, money and ideology”.<sup>56</sup> It presumed that “terrorists’ views were the result of mistaken interpretations of Islam” and, to this end, considered extremists as victims who has been led astray from the true path of Islam.<sup>57</sup> The Saudi program was based on the notions of redemption, support and re-education.

Recognising the multifaceted nature of terrorism (and deradicalisation), the Saudi program tied together three main elements: the idea that radical ideology can be defeated by reason and debate, the need to support families and operate within Saudi culture, and that participants needed to be supported upon release through after-care programs to facilitate reintegration into society.<sup>58</sup> With this in mind the Saudi program offered a range of incentives and support mechanisms. For instance, families of participants were given financial and other material support to foster goodwill and a sense of commitment to the state,<sup>59</sup> while participants were offered vocational training as well as employment opportunities upon release.<sup>60</sup> Furthermore, in some cases, participants were also provided assistance to find a life partner and start a family, with the idea being that by increasing a participant’s commitment to their family, it decreased their commitment to extremism.<sup>61</sup>

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<sup>55</sup> Ibid., p. 24.

<sup>56</sup> Fink and Hearne, *Beyond Terrorism*, p. 6.

<sup>57</sup> Ibid., p. 28.

<sup>58</sup> Boucek, ‘Counter-Terrorism from Within: Assessing Saudi Arabia’s Religious Rehabilitation and Disengagement Programme’, *The RUSI Journal*, vol. 153, no. 6 (2008), p. 61. See also Walid Phares, *The War of Ideas: Jihadism against Democracy* (New York: Palgrave Macmillan, 2007), Chapter 12, Inflaming Hearts and Fooling Minds, p. 15.

<sup>59</sup> Johnston, ‘Assessing the Effectiveness of Deradicalisation Programmes on Islamist Extremists’, p. 53.

<sup>60</sup> Mullins, ‘Rehabilitation of Islamist Terrorists: Lessons from Criminology’, p. 169.

<sup>61</sup> Johnston, ‘Assessing the Effectiveness of Deradicalisation Programmes on Islamist Extremists’, p. 35.

In addition to providing a comprehensive range of incentives and support mechanisms, the Saudi provision of ongoing post-release support appears to have contributed positively to its effectiveness compared to other Middle East programs of a similar nature. By recognising that ongoing support and monitoring was critical to preventing recidivism, the Saudi program found a way to continue the progression of participants toward deradicalisation “well beyond the prison walls”.<sup>62</sup>

Despite what the Saudi program was able to achieve, it was not without shortcomings. The Saudi program only engaged those in the custody of the state and, within this group, it only permitted detainees suspected of supporting terrorism to participate (rather than those convicted of actual terrorist offences).<sup>63</sup> Because of this, the program ignored a significant subset of individuals who were arguably in need of disengagement (even if they were likely the tougher cases). While not contributing directly to the program's outcomes, this does raise questions as to whether the program specifically avoided the ‘hard-core’ violent extremists because they were too difficult and would have driven the success rate down.<sup>64</sup>

### THE INDONESIAN DERADICALISATION PROGRAM

Similar to the Yemeni and Saudi programs, the Indonesian program is predominantly prison-based and focused on the individual. It centres on changing attitudes toward violence by providing counselling and mechanisms for ideological debate, vocational training and education, as well as support to the participants and their families.<sup>65</sup> Unlike the Saudi program, which uses Islamic clerics to challenge ideological beliefs, the Indonesian authorities believe that terrorists will not listen to moderates or external third parties, regardless of their knowledge. Accordingly, Indonesian authorities have used former terrorist leaders and ex-prisoners who are considered to have greater credibility among the terrorists with whom they are trying to deradicalise.<sup>66</sup>

Anna Johnston suggests that unlike the Yemeni and Saudi programs—which treat terrorists as misguided victims and challenges program participants to show how their beliefs are valid within Islam—the Indonesian program argues not that terrorists are wrong in their beliefs, but rather that now is not the right time for violence.<sup>67</sup> This suggests the Indonesian program is

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<sup>62</sup> Neumann, *Prisons and Terrorism Radicalisation and De-radicalisation in 15 Countries*.

<sup>63</sup> Boucek, ‘Counter-Terrorism from Within’, pp. 60-65.

<sup>64</sup> While the Saudi Government claimed a recidivism rate of only 1-2 per cent, these figures are difficult to independently verify, particularly noting that the “Saudi’s do not release data on re-offenders”. See also, for example, Johnston, ‘Assessing the Effectiveness of Deradicalisation Programmes on Islamist Extremists’, p. 37; Boucek, ‘Counter-Terrorism from Within’, p. 61.

<sup>65</sup> *Ibid.*, p. 42.

<sup>66</sup> International Crisis Group, ‘Deradicalisation’ and Indonesian Prisons, Asia Report No. 142 (International Crisis Group, 19 November 2007), p. 12.

<sup>67</sup> Johnston, ‘Assessing the Effectiveness of Deradicalisation Programmes on Islamist Extremists’, p. 41.

perhaps focused less on deradicalisation and more on disengagement. There are likely many reasons for this approach and whether it is intentional (as a means of dealing with only the immediate problem to achieve faster results), or the result of insufficient funding and inadequate resourcing, remains to be seen.

Despite this, the Indonesian program has had some success in encouraging terrorists to deradicalise or at the very least disengage. By using socioeconomic incentives, which one Indonesian official suggested are more effective than any ideological counselling, the Indonesian authorities have persuaded some extremists to abandon violence.<sup>68</sup> Indonesian police have also used the deradicalisation program as a means of changing terrorist attitudes toward Indonesian law enforcement and security agencies.<sup>69</sup> As a means of bridging the 'us and them' divide, police, through the use of kinder interactions, building rapport and showing compassion, have attempted to break down barriers and challenge extremists' perceptions that the police themselves are non-believers.<sup>70</sup>

## **WESTERN PROGRAMS**

Among Western nations, a range of programs offer further insights into disengagement efforts, in addition to examples of different program structures and effectiveness. These programs include those offered by Sweden, Germany and Denmark.<sup>71</sup> Unlike Saudi Arabia, Yemen and Indonesia, whose main concern is religious extremism, European countries have contended with far left and right wing extremism for some time. Many of these countries, rather than developing new programs, are expanding existing programs and initiatives to take into account a growing number religiously extremist groups.

Two programs, EXIT-Deutschland (Germany) and EXIT-Fryshuset (Sweden), "work with individuals to leave behind extremist ideologies, groups and movements. They attempt to change both the belief structures of individuals (deradicalisation) as well as the behavioural aspects (disengagement)".<sup>72</sup> These programs, similar to the disengagement and deradicalisation programs offered by Yemen and Saudi Arabia, include measures such as counselling, education, vocational training, mentoring,

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<sup>68</sup> Ibid., pp. 13, 1.

<sup>69</sup> International Crisis Group, *'Deradicalisation' and Indonesian Prisons*, p. 13.

<sup>70</sup> See, for example, *ibid.*

<sup>71</sup> While not discussed in this article it is acknowledged that the first of the 'Exit' programs was that from Norway, founded by Tore Bjørgo. This program was in turn replicated in Germany and Sweden, with all programs borrowing heavily from one another.

<sup>72</sup> Vidhya Ramalingam and Henry Tuck, *The Need for Exit Programmes: Why Deradicalisation and Disengagement Matters in the UK's Approach to Far-Right Violence* (Institute for Strategic Dialogue, 2014). p. 4.

family support and assistance in reintegrating back into the community.<sup>73</sup> Remarkably, these programs have had high success rates, with EXIT-Deutschland reporting a recidivism rate of less than 5 per cent and EXIT-Fryshuset a recidivism rate of less than 6 per cent.<sup>74</sup>

While EXIT-Deutschland and EXIT-Fryshuset are community based, Germany's 'Violence Prevention Network' (VPN) is a program centred on assisting incarcerated individuals to leave extremist groups.<sup>75</sup> Similar to EXIT-Deutschland, VPN offers a multifaceted and individually tailored program, with a twenty-three-week prison-based program aimed at "disentangling the individual's sense of anger and hatred from their political view of the world".<sup>76</sup> It also includes counselling and family assistance, as well as a year of dedicated post-release support including ongoing monitoring, counselling, and assistance finding accommodation and employment.<sup>77</sup>

## Evaluation Of Overseas Programs

The disengagement programs examined above have provided insights into how other countries have attempted to tackle the complex challenge of disengaging violent extremists and radicalised individuals. If Australian programs are to be expanded and offer effective means of disengagement, then it is likely they will need to include some components of the programs assessed above. The following section considers the different elements that appear to be necessary components of effective disengagement programs.

### BREAKING SOCIAL TIES

There are a number of reasons for focusing on prisons for disengagement programs. Beside from the obvious consideration that detainees are essentially 'captive audiences',<sup>78</sup> disengagement has been found to be more effective when individuals are removed from the radicalised group environment and are no longer influenced by peers or group leaders.<sup>79</sup> As suggested earlier, disengagement can be facilitated by numerous push and pull factors, but in order for disengagement to succeed, there must be a cognitive opening which "challenges the coherence of an individual's [extremist or radical] world view".<sup>80</sup> Apprehension and detention could be potentially effective ways of creating these cognitive openings. Incarceration

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<sup>73</sup> Riazat Butt and Henry Tuck, *European Counter-Radicalisation and De-radicalisation: A Comparative Evaluation of Approaches in the Netherlands, Sweden, Denmark and Germany* (Institute for Strategic Dialogue, 2014), pp. 12-13.

<sup>74</sup> Ramalingam and Tuck, *The Need for Exit Programmes*, p. 12.

<sup>75</sup> Butt and Tuck, *European Counter-Radicalisation and De-radicalisation*, pp. 20-21.

<sup>76</sup> *Ibid.*, p. 22.

<sup>77</sup> *Ibid.*, pp. 20-23.

<sup>78</sup> Mullins, 'Rehabilitation of Islamist Terrorists: Lessons from Criminology', p. 166.

<sup>79</sup> Johnston, 'Assessing the Effectiveness of Deradicalisation Programmes on Islamist Extremists', p. 10.

<sup>80</sup> Garfinkel, *Personal Transformations: Moving from Violence to Peace*, p. 11.

can break the social ties which may have led to extremism and act as both a circuit breaker and an enabling factor in disengagement, but prisons can also be conducive environments for radicalisation to occur and in some cases incarceration can work against disengagement initiatives.<sup>81</sup>

Within Australia, there are relatively few individuals incarcerated for violent extremism or terrorism related offences: some twenty-six convictions from thirty-five prosecutions at the time of writing.<sup>82</sup> While this number may increase if foreign fighters return from Iraq and Syria, there will still be many individuals in the community who could participate in community-based (i.e. non-prison) disengagement programs. The EXIT-Deutschland and EXIT-Fryshuset programs suggest it may be possible to achieve similar outcomes as those achieved in prisons, provided individuals are given the opportunity to self-segregate and remove themselves from radical and extremist influences. In the EXIT-Fryshuset program this was achieved by basing the program at a youth centre which offered a location for participants to attend outside of their normal environments. Aside from providing a physical mechanism to break social ties, the youth centre also provided social support and integration with a wider youth program and leisure activities, thus creating opportunities for individuals to establish alternate social networks and further break an individual's reliance on extremist groups for social support.<sup>83</sup>

Given Australian demographics, it will be important to have available disengagement programs for those not only in the custody of the state, but also those in the community. If structured effectively, incarcerated extremists could transition from a prison-based program to a community-based program after their release. Alternatively, the use of community-based 'camps' or 'retreats', or live-in rehabilitation facilities (similar to those used to combat drug and alcohol addiction) could also be effective in Australia.

### **COMPREHENSIVE SUPPORT AND INCENTIVES**

As the literature and case studies have demonstrated, successful disengagement required participants to have extensive counselling, mentoring and education support from trained individuals. However, it is important to note that support can also be in the form of incentives.

The Saudi program showed how incentives, particularly those directed toward a participant's family, can have a significant impact on disengagement outcomes. There appear to be no hard and fast rules about what constitutes an 'incentive' and the disengagement programs discussed

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<sup>81</sup> Jones, 'Turning Terrorists Around'.

<sup>82</sup> Nicola McGarrity, 'Let the Punishment Meet the Offence': Determining Sentences for Australian Terrorists', p. 1.

<sup>83</sup> Butt and Tuck, *European Counter-Radicalisation and De-radicalisation*, pp. 10-14.

suggest incentives could take the form of paying for children's school fees, covering medical costs, providing food or setting a family up with a small business.<sup>84</sup>

Incentives can be effective for a number of reasons. Firstly, they can motivate an individual to participate in, and more importantly complete, a disengagement program. Extremists—much like the rest of society—are more likely to take part in a program if there is incentive, beyond just leaving extremism behind, to be gained from participating. Such incentives might include money, training, or early release. Secondly, in using family support and assistance as an incentive, an individual trying to disengage can ensure their family's needs are addressed, thus removing the stress and emotional burden of providing for ones' family while in prison. This type of incentive also serves as a secondary function to deradicalisation, as it means the terrorist is no longer dependent on the terrorist group for material and financial support. Finally, by offering participants the incentive of gaining vocational skills, those wanting to disengage are given a chance to better themselves, thus improving their own self-perception as well as in many cases, their standing within their community. Vocational and educational skills can also facilitate disengagement by providing those wanting to move away from extremism with legitimate means to provide gainfully for their families and, in turn, a sense of purpose and community belonging.<sup>85</sup>

While incentives and support initiatives like those offered under the Saudi program appear to contribute positively to disengagement, consideration within an Australian context must be given to both practical implications and public opinion. Although many in the community would embrace initiatives to combat terrorism, material incentives for violent extremists and convicted terrorists are unlikely to be palatable in many countries. In Australia this would likely mean that the use of such initiatives would be significantly restricted, even though any government that ignored this option would be putting politics before good policy.

Furthermore, the motivations of any program participant would have to be carefully evaluated as to whether such individuals were genuine in their desire to disengage, or whether participation in a disengagement program was only to obtain incentives.

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<sup>84</sup> Christopher Boucek, 'Extremist Reeducation and Rehabilitation in Saudi Arabia', *Terrorism Monitor* (Jamestown Foundation), vol. 5, no. 16 (16 August 2007).

<sup>85</sup> Mullins, 'Rehabilitation of Islamist Terrorists: Lessons from Criminology', p. 169. See also, for example, Scott Helfstein, *Edges of Radicalisation: Ideas, Individuals and Networks in Violent Extremism* (West Point: The Combating Terrorism Center at West Point, US Department of Defense, 2012); Huston et al., 'Pathways to Violent Radicalisation in the Middle East'; Veldhuis and Staun, *Islamist Radicalisation: A Root Cause Model*.

## **ADDRESSING THE CAUSES**

Within Australia there is an underlying assumption that “radical Muslims have a narrow and often inaccurate understanding of Islam and its principles”.<sup>86</sup> As Jones highlights, there are more causes to radicalisation than religion and, within Australia, radicalisation is more the result of social and connection issues than it is religion.<sup>87</sup> Despite the stereotypes, religion is the form through which extremist ideologies are expressed, rather than the root cause of radicalisation. With this in mind, while religion will still be a key feature (as inaccurate interpretations of religious principles will need to be addressed),<sup>88</sup> disengagement programs will need to also focus on other underlying causes of violent extremism and the factors that draw individuals to radicalisation.

Another key element to facilitating disengagement is the use of credible leaders and interlocutors to help participants address underlying causes of their extremism. The Saudi program highlighted that using the right type of interlocutor is critical and that care needs to be taken in selecting interlocutors that are both knowledgeable in their subject matter and are able to gain the respect of the participants. Conversely, the Indonesian deradicalisation program demonstrated the impact that poor interlocutor selection can have on program participants, potentially reversing progress towards disengagement and in some cases amplifying extremist ideologies. In Australia the use of credible interlocutors to facilitate programs may prove more difficult than in countries such as Saudi Arabia or Yemen, particularly noting the absence of prominent Islamic leaders and reformed extremists. In this regard, it may be necessary to consider using community and peer groups, and in some instances respected family members, to fulfil this role.

## **ONGOING SUPPORT AND MENTORING**

While it is promising for participants to make positive progress toward disengagement within the confines of a structured program, where support is at its maximum and the pressures of ‘normal life’ are minimal, once individuals leave such programs they likely to be faced with the same economic and social circumstances that contributed toward their initial radicalisation. Thus, any disengagement program in Australia will need to contain practicable and comprehensive after-care and monitoring programs which provide both material and non-material support.

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<sup>86</sup> Akbarzadeh, ‘Investing in Mentoring and Educational Initiatives’, p. 452.

<sup>87</sup> Jones, ‘Terrorists Can Be Turned Around—Here's How’.

<sup>88</sup> Noting the prominence of religion in extremist propaganda and recruiting strategies, as well as its use to justify extremists’ violent behaviours, engaging programs participants through religion and framing counter arguments with a religious base is also likely to be effective. Additionally, by using religion as medium to facilitate disengagement, participants may also be able to develop a sounder understanding of their religion and through which be less easily persuaded by radical ideologies, taking away the power of extremist groups to use religion as a means to justify the use of violence.

The Yemeni, Saudi and Indonesian deradicalisation programs illustrate the importance of after-care and monitoring. Yemen and Indonesia—both lacking effective after-care programs—have had significantly less success than in deradicalising terrorists than Saudi Arabia. The Saudi program includes extensive after-care and monitoring, including a ‘half-way house’, ongoing financial assistance, access to mentors and a parole-like requirement (where individuals are required to report to authorities on a regular basis). Johnston, Mullins, and Fink and Hearne have also suggested that of all of the elements that contribute to the disengagement of radicalised individuals and violent extremists, ongoing after-care and monitoring programs are the most significant to successful disengagement.<sup>89</sup>

The need for ongoing support and mentoring was also evident in the programs delivered out of Sweden and Germany, where participants of one program were provided with twelve months dedicated individual support following completion of the program.<sup>90</sup> These programs found that a key need of those individuals wanting to disengage from extremist groups was the ability to call on assistance at any moment, as typically such individuals will not “have anyone else to turn to as they have often broken ties with family and friends when they entered the movement”.<sup>91</sup> In addition to this, Jones suggests that the development of mentoring relationships between participants and program officials is likely to aid in the building of trust and increase the chances of disengagement.<sup>92</sup> This again supports the notion that providing an alternate support network outside of extremist groups—and decreasing a participant’s reliance on extremist groups for a sense of connection, identity and purpose—can have positive results.<sup>93</sup>

The use of effective after-care programs will also be of particular importance for those participants in prison-based disengagement programs—particularly when used as a means of facilitating participants’ integration back into the community and preventing recidivism. Not only will these programs need to provide comprehensive support, such as counselling and mentoring, but they will also need to help reinforce newfound attitudes and beliefs developed through disengagement programs. Additionally, after-care and monitoring programs can also serve as a surveillance tool by providing regular observation of released participants and opportunity to identify any signs of recidivism.

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<sup>89</sup> Johnston, ‘Assessing the Effectiveness of Deradicalisation Programmes on Islamist Extremists’, pp. 61-62. See also, for example, Mullins, ‘Rehabilitation of Islamist Terrorists: Lessons from Criminology’; Fink and Hearne, *Beyond Terrorism*.

<sup>90</sup> Butt and Tuck, *European Counter-Radicalisation and De-radicalisation*, pp. 20-21.

<sup>91</sup> *Ibid.*, p. 24.

<sup>92</sup> Jones, ‘Terrorists Can Be Turned Around—Here’s How’.

<sup>93</sup> See, for example, Helfstein, *Edges of Radicalisation: Ideas, Individuals and Networks in Violent Extremism*; Huston et al., ‘Pathways to Violent Radicalisation in the Middle East’; Veldhuis and Staun, *Islamist Radicalisation: A Root Cause Model*.



## **CHALLENGES AND PRACTICAL IMPLICATIONS**

The notion of neutralising the threat posed by violent extremists is appealing; however, there are a number of challenges and practical implications of using disengagement programs to do so. Firstly, as demonstrated by the Saudi programs, disengagement programs require sufficient financial and material resources. It appears there are no half-measures when it comes to funding disengagement programs: it is likely to be an 'all or nothing' affair. Secondly, disengagement programs are likely to be significantly affected by political climates and must walk a fine line between achieving effective disengagement and also being seen as 'punishing' those convicted of terrorism related offences. To this end, in some circumstances, cash payments and material support to convicted individuals and their families may be impracticable, particularly in Western countries.

Thirdly, of the disengagement programs examined, none were mandatory (though arguably those participating in Yemen and Saudi Arabia may not have had much of a choice) and all required participants to volunteer. This circles back to the notion of cognitive openings and the concept that in order for individuals to be disengaged, they must first be willing to hear alternate ideas and accept the support on offer. Forced participation is unlikely to achieve either the desired results or positive outcomes and, in many cases, may harden the radical views of those forced to participate.<sup>94</sup> Finally, as highlighted by the International Peace Institute, expecting a 100 per cent disengagement rate from such programs is unrealistic.<sup>95</sup> In this regard, one of the challenges of disengagement programs is defining and measuring their effectiveness, particularly noting that a single failure may prompt some critics to argue that the program should be abandoned. While assessing the recidivism rate is one way to do this, it is, in and of itself, a difficult and complex factor to measure (particularly when considering the intangible nature of disengagement).<sup>96</sup>

## **Lessons for Australia**

"No single formula can deal with all cases of violent extremism in a single region ... and there is no single recipe for success."<sup>97</sup> However, in light of the increased threat posed by returning foreign fighters and evidence from the case studies discussed above, Australia should consider expanding its existing disengagement programs. If it does so, there are several key

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<sup>94</sup> Tinka Veldhuis, *Designing Rehabilitation and Reintegration Programmes for Violent Extremist Offenders: A Realist Approach*, ICCT Research Paper (The Hague: International Centre for Counter Terrorism, 2012).

<sup>95</sup> Fink and Hearne, *Beyond Terrorism*, p. 12.

<sup>96</sup> Veldhuis, *Designing Rehabilitation and Reintegration Programmes for Violent Extremist Offenders*.

<sup>97</sup> Hamed El-Said, *De-Radicalising Islamists: Programmes and their Impact in Muslim Majority States* (King's College London: International Centre for the Study of Radicalisation and Political Violence, 2012).

lessons that can be learned from European, Asian and Middle Eastern programs.

Firstly, there is no one-size-fits-all approach. Australia will need to consider specific and tailored programs to meet the individual needs of returning foreign fighters and other extremists. Just as the path to radicalisation is an individual process, so too is the process of disengagement. Having a range of options to select from—depending on the needs of the individual—will be important in any Australian program. For instance, where one participant may need extensive counselling and social support, another may require more vocational assistance and religious guidance. Access to jobs, education, vocational training, housing and family assistance will all need to be considered and offered in some form.

Secondly, Australia will need to take a dual approach to disengagement: it will need a combination of custodial and community-based programs. These will need to be comprehensive and offer a ‘cradle to grave’ approach, providing ongoing support and mentoring for extended periods of time. Evidence from the Saudi program, as well as the EXIT programs provided by Germany and Sweden, indicates that long-term support from program staff and mentors is critical to successful disengagement and preventing recidivism.

Thirdly, any disengagement program expansions in Australia will need to be well funded, adequately resourced and sustainable. This will require bipartisan political support, the cooperation of multiple agencies and a whole of government approach “supported by consciously designed policy”.<sup>98</sup> A long-term commitment to delivery which is centred on best practice, and is resilient to political manoeuvring and interference, will be needed in order to offer sustainable programs over several years. A reactive and short-term program will do little to address the potential threats posed by returning foreign fighters and violent extremists. Further, there is the potential that communities have been abandoned through government’s lack of commitment.

Community involvement is also going to be a necessary aspect of any Australian deradicalisation and disengagement program. As suggested by El-Said, “states do not have all the tools” needed for effective disengagement programs,<sup>99</sup> and civil societies—who not only have wider reach into ‘closed’ communities but also more resources—can be leveraged to increase the scope and effectiveness of programs.<sup>100</sup> Community leaders may also be able to provide valuable insight in program design and

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<sup>98</sup> Ibid.

<sup>99</sup> Ibid., p. 45.

<sup>100</sup> Ibid.

structure, as well as be an important resource for identifying interlocutors and program leaders.

## **Conclusion**

Australia, like many Western countries, is facing a significant potential threat from returning foreign fighters and other extremists. Addressing this threat will require several different approaches, working in unison as part of an overall effective and comprehensive counter-terrorism strategy. Australia urgently needs improved disengagement programs because, as Horgan and Taylor suggest, the potential of effective the risk reduction is high.<sup>101</sup> The expansion of Australia's disengagement programs, while not the be all and end all of solutions to Australia's terrorism woes, is a good a place to start. To this end, looking outward to other nations who have implemented disengagement programs can provide useful insights into how Australia can expand, enhance and further develop its own disengagement programs.

As demonstrated by the deradicalisation and disengagement programs above, with sufficient resources, funding and long-term commitment to success, it may be possible to disengage returning foreign fighters and those individuals involved in terrorism and extremism. These programs provide valuable insights into what works when it comes to disengagement, and equally as important, the programs also provide valuable lessons as to what does not work. From the programs of other nations it is possible to establish how Australia can enhance its own disengagement programs.

There are obviously challenges to disengaging those with extremist ideologies: changing someone's fundamental beliefs is no easy task. It will take the cooperation and participation of multiple agencies and organisations, as well as significant community involvement and support, to achieve this goal. However, if Australia is to combat terrorism and the potential threat posed by returning foreign fighters, something more than what exists presently will be needed. Disengaging returning foreign fighters, violent extremists and radicalised individuals may not be easy, but it certainly is necessary. With the right circumstances and programs that are evidenced, have rigorous frameworks and are informed by sound understanding of the factors and processes that underpin disengagement, Australia can maximise its chances of successful addressing the ongoing threat of extremism.

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<sup>101</sup> John Horgan and Max Taylor, 'Disengagement, De-Radicalisation and the Arc of Terrorism: Future Directions for Research', in Rik Coolsaet (ed.), *Jihadi Terrorism and the Radicalisation Challenge* (Farnham: Ashgate, 2011), p. 174.

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# Coming to Terms with China: Managing Complications in the Sino-Australian Economic Relationship

Mark Beeson and Jeffrey D. Wilson<sup>1</sup>

The ascent of China has irrevocably changed Australia's external strategic environment. While China became Australia's top trading partner during the mid-2000s, tensions in the bilateral economic relationship have posed a series of complications for Australian policymakers. In this article, we explore four areas where these complications have become salient: economic asymmetries, Chinese state capitalism, the so-called resource curse, and tensions with geopolitical imperatives. We argue these demonstrate that China's rise is not only a security challenge for Australia but also an economic one, which demands new strategies that are sensitive to the challenges and vulnerabilities of the Sino-Australian economic relationship.

The rise of China is transforming Australia's economic and strategic environment. This may not be a novel observation, but what is less commonly acknowledged is just how integrated the economic and geopolitical consequences of China's rise actually are. While it has become commonplace to highlight the difficulty of managing Australia's simultaneous economic and strategic reliance on competing great powers,<sup>2</sup> less attention has been paid to the politically transformative impact of China's growing material importance for Australia. The simple reality is that China is exerting an increasingly powerful influence on both the structure of the Australian economy and the options available to policymakers: even the most committed of American allies now have to think twice about gratuitously irritating the Chinese. Few doubt that in the event of conflict between the United States and China, Australia would side with the United States as it always has done. But in relatively peaceful times the question of how to deal productively with China is a more difficult, sensitive and important task than before.

In some ways Australia's economic relationship with China is a re-run of the Japan-sponsored resource boom of the 1970s.<sup>3</sup> The 'China boom' looks in

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<sup>2</sup> James Reilly, 'Counting on China? Australia's Strategic Response to Economic Interdependence', *The Chinese Journal of International Politics*, vol. 5, no. 4 (2012), pp. 369-94.

<sup>3</sup> John G. Crawford and Saburo Okita, *Australia, Japan and Western Pacific Economic Relations: A Report to the Governments of Australia and Japan* (Canberra: Australian Government Publishing Service, 1976). As one of the referees pointed out, there have been a series of other commodity booms in Australian history that display similar dynamics. See, I. W.

danger of ending in precisely the same sort of way that its predecessor did, with major potential implications for Australia's economic security.<sup>4</sup> There is of course one important difference between the Japanese and Chinese experiences: like Australia, Japan was a close ally of the United States, rather than a potential strategic rival. Moreover, even if the current trade relationship with China continues to expand, there are other aspects of Australia's relationship with China that will prove challenging for policymakers. The fact that China is a notionally communist country that practises a distinctive form of 'state capitalism' provides an additional layer of complexity, which exceeds even the notoriously opaque practices that were associated with Japan's economic relationship with Australia.<sup>5</sup> One thing the Chinese undoubtedly have in common with the Japanese, however, is a much more 'comprehensive' view of security issues and a lively appreciation of the interconnected nature of economic and strategic issues.<sup>6</sup> It is one Australian policymakers would do well to recognise—if not emulate—if they are to respond to the challenge presented by China's rise.

The starting point for this analysis is the observation that China and Australia are in some ways unlikely partners united primarily by brute economic realities. If Australian policymakers could freely choose with whom to have intimate economic relations, one suspects China—which carries the baggage of its emerging strategic rivalry with the United States—would not be top of the list. The logic of 'economic complementarity' between the two countries, and the unforgiving geographical reality of China's growing weight in the Asia-Pacific have compelled this unlikely union. The question is: What will come of it and who will benefit?

To begin to answer these questions, we explore the contours of the complications that Chinese economic ties are currently posing for Australian policymakers. Four such complications are explored: the challenges posed by asymmetries in Sino-Australian trade, difficulties associated with Chinese state capitalism, the impacts of the so-called 'resource curse', and the geopolitically charged nature of bilateral economic relations. We suggest that these complications—each of which is somewhat unique to the China relationship—are not only forcing a reappraisal of how Australia responds to

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McLean, *Why Australia Prospered: The Shifting Sources of Economic Growth* (Princeton: Princeton University Press, 2013).

<sup>4</sup> Ross Garnaut, *Dog Days: Australia After the Boom* (Collingwood: Redback, 2013).

<sup>5</sup> Mark Beeson, *Competing Capitalisms: Australia, Japan and Economic Competition in the Asia Pacific* (London: Macmillan, 1999); Jeffrey D. Wilson, *Governing Global Production: Resource Networks in the Asia-Pacific Steel Industry* (Basingstoke: Palgrave Macmillan, 2013), Chapters 4-6.

<sup>6</sup> Muthiah Alagappa, 'Asian Practice of Security: Key Features and Explanations', in M. Alagappa (ed.), *Asian Security Practice: Material and Ideational Influences* (Stanford: Stanford University Press, 1998); Helen E. Nesadurai, 'Introduction: Economic Security, Globalisation and Governance', *The Pacific Review*, vol. 17, no. 4 (2004), pp. 459-84.

its external strategic environment, but are also reconfiguring internal considerations bearing upon economic policy choices. They also mean that Australia's process of 'coming to terms' with China will prove more challenging than its previous economic integration with Japan. The Sino-Australian relationship consequently provides a convenient window through which to examine the likely trajectory of the next phase in Australia's political and economic turn towards the Asian region.

## **Contextualising and Theorising Australia's Asian Trade Links**

To understand the significance of Sino-Australian trade ties it is useful to provide some historical context. There has been a long run 'turn to Asia' as a consequence of the declining importance of Australia's imperial ties with Britain and the rapid industrialisation of Japan, Southeast Asia and China in the latter part of the twentieth century.<sup>7</sup> The simple, inescapable—and for some, unpalatable—reality has been that East Asia's growing economic importance left Australian policymakers with little alternative other than to come to terms with the region.<sup>8</sup> Crucially, a region that had previously been synonymous with strategic threat was now seen as a major economic opportunity and the basis for Australia's future prosperity.

Nothing captured this change of mood—nor drove the subsequent policy shift that attempted to capitalise on it—more than Ross Garnaut's commissioned analysis of Australia's economic relations with Northeast Asia published in 1990.<sup>9</sup> Two points are especially noteworthy about this report. First, at that time it was still Japan rather than China that was the centre of attention. Second, Garnaut's analysis was informed by the assumptions of neoclassical economics, of which he was one of Australia's most influential and articulate advocates. As a former advisor of then Prime Minister Bob Hawke, Garnaut's views carried considerable weight, and his report provided a blueprint and rationale for Australia's economic engagement with the region. The guiding assumption was that Australian policymakers should liberalise and open up the economy and allow market forces to make the most of Australia's complementary relationship with Asia: Australia's comparative advantage in resource and commodity production would complement the demand from Asia's rapidly industrialising economies.

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<sup>7</sup> Sandra Tweedie, *Trading Partners: Australia and Asia 1790-1993* (Sydney: UNSW Press, 1994).

<sup>8</sup> Ann Capling, 'Twenty Years of Australia's Engagement with Asia', *The Pacific Review*, vol. 21, no. 5 (2008), pp. 601-22.

<sup>9</sup> Ross Garnaut, *Australia and the Northeast Ascendancy* (Canberra: Australian Government Publishing Service, 1990).

Garnaut's views resonated and built on a more broadly based overhaul of Australia's domestic and foreign relations.<sup>10</sup> Many of these initiatives have become familiar components of neoliberal reform around the world: central bank independence, floating exchange rates, financial sector liberalisation, labour market reform and—most importantly for our purposes—trade liberalisation and tariff reduction, issues about which Garnaut's views were especially influential. Indeed, so enthusiastic did Australian policymakers become about the merits of trade liberalisation, they played a pivotal role in establishing Asia Pacific Economic Cooperation (APEC), a major new intergovernmental institution to promote similar reforms across the region.<sup>11</sup> The fact that Australia's reformist overtures were often met with studied indifference in a region that remained sceptical about neoliberalism should not blind us to the importance of economic liberalisation in Australia's overall policy orientation.<sup>12</sup>

In the last decade, China has replaced Japan as Australia's principal trade partner and most important regional economic relationship. However, the logic of complementarity between a resource-rich Australian economy and an industrialising Asian partner still applies. Sino-Australian ties therefore provide an important test of the reform period's efficacy, and of the merits of Australia's approach to trade relations with the region. While there may be much to be said for many of the reforms undertaken during the 1990s, Australia's economic relationship with China generates vulnerabilities and tensions that seem contrary to Australia's long-term economic—and perhaps political—interests. Why? Understanding the complications inherent in Sino-Australian trade relations can help illuminate the answer.

### **'Deep but Narrow' Economic Relations**

Given the overwhelming contemporary significance of China to the Australian economy, it is easy to forget that bilateral economic relations are comparatively young. Prior to the Whitlam Government's diplomatic recognition of the People's Republic of China in December 1972, the two countries had practically no economic ties of which to speak. Indeed, economics would not come to the fore of the relationship for many years. Despite the signing of two major trade agreements in 1973 and 1981,<sup>13</sup>

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<sup>10</sup> Mark Beeson and Diane Stone, 'The Changing Fortunes of a Policy Entrepreneur: The Case of Ross Garnaut', *Australian Journal of Political Science*, vol. 48, no. 1 (2013), pp. 1-14.

<sup>11</sup> Nick Bisley, 'APEC: Asia-Pacific Economic Cooperation', in M. Beeson and R. Stubbs (eds), *Routledge Handbook of Asian Regionalism* (London: Routledge, 2012), pp. 350-63.

<sup>12</sup> Mark Beeson and Iyanatul Islam, 'Neo-liberalism and East Asia: Resisting the Washington Consensus', *Journal of Development Studies*, vol. 41, no. 2 (2005), pp. 197-219; Andrew Walter, *Governing Finance: East Asia's Adoption of International Standards* (Ithaca: Cornell University Press, 2008).

<sup>13</sup> 'Trade Agreement Between the Government of Australia and the Government of the People's Republic of China', *United Nations Treaty Series*, vol. 975, no. I-14127 (1973); 'Protocol on Economic Cooperation Between the Government of Australia and the Government of the People's Republic of China', *United Nations Treaty Series*, vol. 1368, no. I-23083 (1981).



economic considerations were subordinate to Cold War security concerns for the majority of the 1970s and 1980s.<sup>14</sup> Australian aspirations to develop China as an economic partner were also constrained by diplomatic issues, particularly the 1989 Tiananmen incident and the 1996 Taiwan Strait crisis.<sup>15</sup> Complementarity between the two economies—with Australian well-endowed with natural resources, and China emerging as manufacturing powerhouse—was simply insufficient to overcome the inhibiting effects of geopolitics. As late as the year 2000, bilateral trade flows were worth \$15 billion, equivalent to a paltry 6.6 per cent of Australia's total trade.<sup>16</sup>

The catalyst for a rapid deepening of Sino-Australian economic ties was the 'global resources boom' of the mid-2000s. Owing to surging demand from a range of industrialising economies—including China, India, Brazil and Indonesia—global resource markets began a steady upward climb.<sup>17</sup> This demand side pressure saw the international price of most minerals and energy quadruple between 2005 and 2012.<sup>18</sup> At the same time, China was entering the 'heavy' stage of its industrialisation, driven by the steel, construction, machinery and automobile sectors. With only limited domestic reserves of minerals and energy to fuel its industrial sectors, China faced an emerging resource security crisis that threatened its overall economic development program.<sup>19</sup> Australia was ideally placed to take on the role of China's principal resource supplier, given its established and technologically advanced mining sector, and close geographic proximity to Chinese markets in comparison to competing African and Latin American producers. Iron ore—the principal raw material used in the production of steel—emerged as the major focus of this resource trade. By 2013 Australia was exporting some \$55 billion worth of iron ore to China, accounting for 52 per cent of the country's import needs.<sup>20</sup>

The resource boom provided the underlying driver for a dramatic intensification in Sino-Australian trade ties. In the decade to 2014, bilateral trade flows quadrupled to \$141 billion annually, with surging Australian resource exports flipping the trade balance from deficit to surplus from 2009 (see Figure 1). As China surged up the list of trade partners, the geographic

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<sup>14</sup> Stuart Harris, 'Australia-China Political Relations: From Fear to Friendly Relations?', *Australian Journal of International Affairs*, vol. 49, no. 2 (1995), pp. 237–48.

<sup>15</sup> Frank Frost, *Directions in China's Foreign Relations—Implications for East Asia and Australia*, Parliamentary Library Research Brief, no. 9 (Canberra: Parliament of Australia, 2005)

<sup>16</sup> Australian Bureau of Statistics, *International Trade in Goods and Services Australia April 2015* (Cat No. 5368.0).

<sup>17</sup> Bernice Lee, Felix Preston, Jaakko Kooroshy, Rob Bailey and Glada Lahn, *Resources Futures* (London: Chatham House, 2012), Chapter 1.

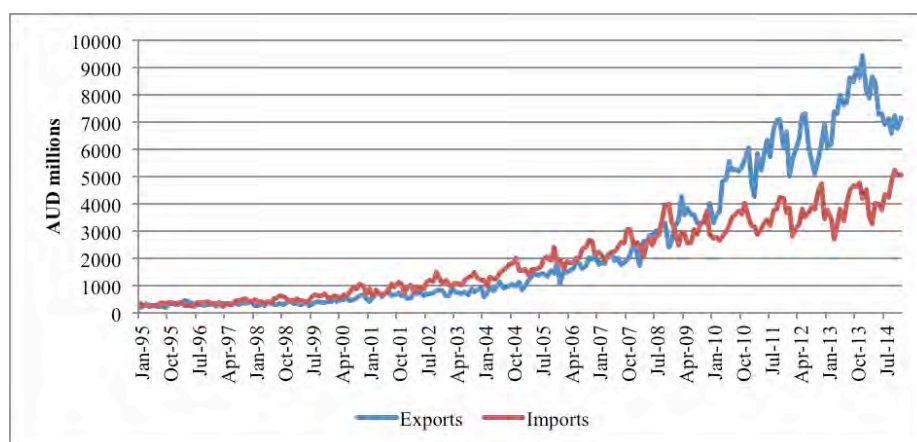
<sup>18</sup> Jeffrey D. Wilson, 'Regionalising Resource Security in the Asia-Pacific: The Challenge of Economic Nationalism', *Australian Journal of International Affairs*, vol. 69, no. 2 (2015), pp. 224–45.

<sup>19</sup> Wilson, *Governing Global Production*, Chapter 7.

<sup>20</sup> United Nations Conference on Trade and Development, 'UNCTADstat Database', <[unctadstat.unctad.org/EN/](http://unctadstat.unctad.org/EN/)> [Accessed 8 June 2015].

structure of Australian trade underwent a similar shift. From an initially marginal position in the late 1990s, China became Australia's number one trade partner in 2007, and by 2014 accounted for approximately one-third of national exports (Figure 2). These shifts marked a dramatic reorientation in Australia's foreign economic relations, which had hitherto focused on 'traditional' partners such as the United States, EU, Japan and Korea. Expanding trade with China was also fortuitously timed for Australia, closely coinciding with the global financial crisis (GFC) of 2008-09. Indeed, many economists and the then-Treasurer Wayne Swan argued that the booming resource trade with China was critical in helping Australia escape the worst of the GFC, whose local effects were relatively mild in international comparison.<sup>21</sup>

**Figure 1: Australian Trade with China, 1995-2014**



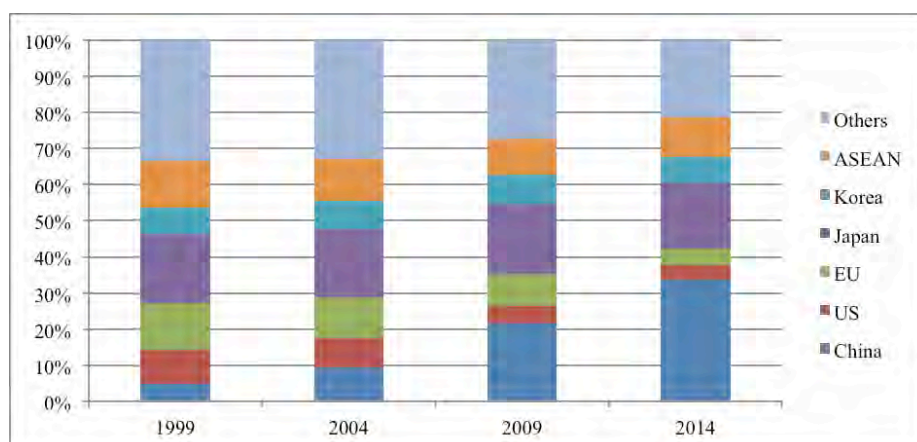
Source: Australian Bureau of Statistics, *International Trade in Goods and Services Australia April 2015* (Cat No. 5368.0).

Nonetheless, several economic asymmetries mean the burgeoning China trade relationship may potentially face future challenges. Principal amongst these is the heavy dependence on a very narrow set of mineral resources. As Table 1 reveals, the rapid growth has largely been driven by iron ore (and to a lesser extent other minerals), which now collectively account for around 80 per cent of Australian merchandise exports to China. Non-mineral sectors have under-performed in comparison, to the point that the trade relationship might better be labelled an 'iron ore relationship'. This biased trade does not mirror the structure of the broader Australian economy (in

<sup>21</sup> Wayne Swan, 'Resources and Recovery—Speech to Minerals Week 2009, Canberra, 26 May 2009', <[ministers.treasury.gov.au/DisplayDocs.aspx?doc=speeches/2009/012.htm&pageID=005&min=wms&Year=&DocType=>](http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=speeches/2009/012.htm&pageID=005&min=wms&Year=&DocType=>) [Accessed 9 June 2015]; Dow Jones, 'Mining Sector Investment to Speed up Recovery from Slowdown', *The Australian*, 2 June 2010.

which mining accounts for only 9 per cent of gross domestic product).<sup>22</sup> This indicates that the 'China boom' has not impacted on most industrial sectors, and offered few opportunities for the broader Australian economy. Policymakers have had to manage the problems of a 'two-speed economy', where rapid (China-driven) growth in resource sectors must be balanced against more modest performance in other non-China oriented industries.<sup>23</sup> Iron ore trade with China also posed 'Dutch disease'-type problems for many other export-oriented sectors (particularly agriculture and tourism), whose international competitiveness were undermined by a rapid appreciation in the Australian dollar between 2008 and 2012.<sup>24</sup> While both the mining boom and currency have receded since 2013, the episode demonstrated the vulnerabilities that dependence on iron ore exports to China have posed.

**Figure 2: Composition of Australian Trade by Partner, 1999-2014**



Source: Australian Bureau of Statistics, *International Trade in Goods and Services Australia April 2015* (Cat No. 5368.0).

Second, there is a discernible pattern of asymmetry in the interdependence between the two economies. In macroeconomic terms, China now accounts for around a third of Australia's trade, and exports to China are alone equivalent to 5.7 per cent of GDP. A significant portion of the Australian economy—and the majority of its resource sector—now depends on access to what have been buoyant Chinese markets. But given the size disparities between the two countries, Australia's economic importance to China is far less pronounced. Australia is presently China's seventh largest trade partner, accounts for 3.2 per cent of its trade, and exports to Australia are

<sup>22</sup> Australian Bureau of Statistics, *Australian National Accounts: National Income Expenditure and Product March 2015* (Cat No. 5206.0).

<sup>23</sup> Harry Perlich, 'Economic Notes: Australia's Two-Speed Economy', *Journal of Australian Political Economy*, vol. 72, no. 1 (2013), pp. 106-26.

<sup>24</sup> W. Max Corden, 'Dutch Disease in Australia: Policy Options for a Three-Speed Economy', *Australian Economic Review*, vol. 45, no. 3 (2012), pp. 290-304.

equivalent to only 0.4 per cent of Chinese GDP.<sup>25</sup> While Australia is critically important as a supplier of iron ore to the Chinese steel sector,<sup>26</sup> in broader terms the bilateral economic relationship is of considerably less importance to China. This asymmetry means that Australian policymakers must place a greater emphasis on China than vice versa, which can frustrate economic diplomacy initiatives. An instructive example is provided by the negotiations for the China-Australia Free Trade Agreement (ChAFTA). Despite being a very high Australian trade policy priority, three federal governments took ten years and twenty-two rounds of negotiation to complete the agreement in 2015. Even then, Chinese unwillingness to meet Australian agricultural requests were only overcome by the Abbott Government making the difficult choice to exclude several farm sectors from the agreement.<sup>27</sup>

**Table 1: Composition of Australian Merchandise Exports to China, 2000-13 (USD billions)**

	2000	2005	2010	2013	% growth 2005-13
Iron ore	0.6	4.3	31.1	51.0	1174%
Coal	0.1	0.4	4.7	8.8	2167%
Other minerals	0.7	2.1	7.3	9.3	443%
Agriculture	0.5	0.5	1.3	3.7	716%
Others	1.6	4.9	8.0	14.6	299%
<b>Total merchandise exports</b>	<b>3.5</b>	<b>12.2</b>	<b>52.4</b>	<b>87.4</b>	<b>714%</b>
<b>Minerals % total exports</b>	<b>39.4%</b>	<b>56.0%</b>	<b>82.2%</b>	<b>79.1%</b>	

Source: United Nations Conference on Trade and Development, 'UNCTADStat Database', <<http://unctadstat.unctad.org/EN/>>.

A third—and often overlooked—problem is the fact that the development of investment ties has lagged well behind trade. Driven by interest in the mining sector, Chinese investment into Australia has grown rapidly in recent years, with foreign direct investment (FDI) stocks increasing four-fold to \$65 billion in the five years to 2014. However, Chinese investors remain minor players (accounting for only 2.3 per cent of FDI stocks), and traditional partners such as the United States, UK and EU still provide the majority of Australia's foreign capital.<sup>28</sup> This investment is also narrowly concentrated, with the mining industry accounting for 75 per cent of approved Chinese

<sup>25</sup> Authors' calculations, from United Nations Conference on Trade and Development, 'UNCTADStat Database', <[unctadstat.unctad.org/EN/](http://unctadstat.unctad.org/EN/)> [Accessed 8 June 2015]; United Nations Statistical Division, 'UN Comtrade Database', <[comtrade.un.org/](http://comtrade.un.org/)> [Accessed 8 June 2015].

<sup>26</sup> Jeffrey D. Wilson, 'Chinese Resource Security Policies and the Restructuring of the Asia-Pacific Iron Ore Market', *Resource Policy*, vol. 37, no. 3 (2012), pp. 331-9.

<sup>27</sup> 'FTA Relies on Compromise', *The Land*, 13 September 2013; Jeffrey D. Wilson, 'China-Australia Trade Agreement a Compromised Victory', *The Conversation*, 18 June 2015.

<sup>28</sup> Australian Bureau of Statistics, *International Investment Position Australia: Supplementary Statistics 2014* (Cat. No. 5352.0).

investments between 2003-04 and 2012-13.<sup>29</sup> One major sticking point has been the screening of Chinese investment applications by the Foreign Investment Review Board (FIRB), which (rightly or wrongly) is perceived by Chinese investors as a form of regulatory discrimination by the Australian Government.<sup>30</sup> As a consequence, few Australian industries have developed meaningful investment ties with China. As these ties are an important element for accessing Chinese consumer markets—particularly in the services sector—this puts Australian firms at a relative disadvantage in developing new business opportunities.<sup>31</sup>

Sino-Australian economic relations might thus be summarised as *deep but narrow*—extensive in volume, but overwhelmingly dominated by a small number of resource commodities. This lack of diversity exposes Australia to several economic risks. A downturn in volatile global resource markets—such as the one that has hit the iron ore sector since 2014<sup>32</sup>—will rapidly decrease the value of Australian exports to China. The slowing pace of China's industrialisation, associated with Xi Jinping's 'new normal' economic policy of 2014,<sup>33</sup> similarly threatens the buoyancy of Chinese resource markets on which the bilateral relationship is predicated. A lack of investment ties outside the mining sector also poses challenges for other Australian export industries—particularly the tourism, agriculture and technical services sectors—to penetrate Chinese markets subject to high levels of trade protection. Thus, while the Sino-Australian economic relationship has deepened significantly during the last decade, it remains characterised by a range of vulnerabilities that pose asymmetric risks for Australia.

## **Dealing with State Capitalists?**

The Sino-Australian trade relationship is further complicated by political-economic differences in the way the two economies are constituted. Economic activity now is frequently disaggregated and dispersed across national boundaries by independent, footloose corporations that may have no obvious national allegiance or identity.<sup>34</sup> This is particularly true in the resource sectors at the heart of the relationship, which is dominated by two multinational mining firms BHP Billiton and Rio Tinto. BHP Billiton at one

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<sup>29</sup> Authors' summary, from data in *Foreign Investment Review Board Annual Reports* (Canberra: Australian Government Publishing Service, various years).

<sup>30</sup> John Larum, *Chinese Perspectives on Investing in Australia* (Sydney: Lowy Institute for International Policy, 2011).

<sup>31</sup> First Murdoch Commission, *Western Australian and the Evolving Regional Order: Challenges and Opportunities* (Perth: Murdoch University, 2013), p. 49.

<sup>32</sup> 'The Latest Iron Ore Price Slump: Causes and Effects', *Forbes*, 14 March 2014.

<sup>33</sup> Angang Hu, 'Embracing China's "New Normal"', *Foreign Affairs*, vol. 94, no. 3 (2015), pp. 8-12.

<sup>34</sup> Peter Dicken, *Global Shift: Mapping the Changing Contours of the Global Economy*, 6th ed. (New York: Guilford Press, 2011).

time liked to style itself as 'the big Australian',<sup>35</sup> but now has a complex, multinational ownership structure that has overturned any simple identity between economic and political space. Whatever one may think of the merits of foreign versus local ownership, firms such as BHP and Rio Tinto that are overwhelmingly foreign owned at least have the merit of being familiar, profit-oriented, market-driven, independent commercial entities. No such assumptions can be made about the state-owned enterprises (SOEs) that are the principal partners with which resource Australian companies must trade.<sup>36</sup>

Despite the three decades of economic reform since the announcement of the 'Open Door' policy in 1978, the Chinese state continues to exert a profound influence over the course of economic development. While this is common in many Asian countries,<sup>37</sup> in China's case continuing state control over strategically important parts of the economy is essentially part of a distinct style of political rule known as 'state capitalism'. As Ian Bremmer points out, the ultimate motive of state capitalism

is not economic (maximising growth) but *political* (maximising the state's power and the leadership's chances of survival). This is a form of capitalism but one in which the state acts as the dominant economic player and uses markets primarily for political gain.<sup>38</sup>

In the context of authoritarian China, in which the state's legitimacy and the authority of the Chinese Communist Party (CCP) is almost entirely dependent on its ability to deliver continuing economic growth,<sup>39</sup> this means that SOEs have assumed a critical role. Control of strategic economic activities through SOEs has assumed an existential importance, reflected in the Chinese state's 'Going Out' program and financial commitments to the internationalisation of state-owned resource companies and sovereign wealth funds.<sup>40</sup>

Far from abandoning state control, Chinese economic planners are actually attempting to develop 'national champions' in strategic sectors such as oil,

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<sup>35</sup> Alan Trengove, *'What's Good for Australia...!' The Story of BHP* (Stanmore: Cassell Australia, 1975).

<sup>36</sup> For example, the Chinese steel sector is dominated by a group of 'national champion' SOEs. In recent years, the Chinese Government has attempted to organise these SOEs into a 'buyer's cartel' that can exercise influence in iron ore price negotiations. See Wilson, 'Chinese Resource Security Policies', pp. 335-7.

<sup>37</sup> Richard Stubbs, 'What Ever Happened to the East Asian Developmental State? The Unfolding Debate', *The Pacific Review*, vol. 22, no. 1 (2009), pp. 1-22.

<sup>38</sup> Ian Bremmer, *The End of the Free Market: Who Wins the War Between States and Corporations?* (New York: Penguin, 2010), p. 5 (emphasis in original).

<sup>39</sup> Yuchao Zhu, "Performance Legitimacy" and China's Political Adaptation Strategy', *Journal of Chinese Political Science*, vol. 16, no. 2 (2011), pp. 123-40.

<sup>40</sup> Nargiza Salidjanova, *Going Out: An Overview of China's Outward Foreign Direct Investment* (Washington, DC: US-China Economic and Security Review Commission, 2011).

mining, steel and banking.<sup>41</sup> Recent analysis by Szamosszegi and Kyle estimates that state-owned enterprises and their holding companies account for approximately 40 per cent of China's GDP.<sup>42</sup> More importantly, their exhaustive analysis of the SOE sector concluded that:

SOE investments and actions also reflect the long-term vision of their controlling shareholder (the Chinese government), and thus short-term profits are not necessarily their highest priority ... The top Chinese leadership has stated that SOEs will continue to be the main actors in China's going out policy, and that China will use its massive foreign exchange reserves to fuel this overseas expansion, especially targeting energy and natural resources.<sup>43</sup>

This state-led strategy has plainly been in evidence in Australia, where the investment efforts of Chinese SOEs have three inter-related goals. First, the Chinese Government hopes to use (state-subsidised) investment to increase the supply of minerals to China,<sup>44</sup> potentially lowering the world prices driving its soaring resource import costs. Second, it also intends to gain a strategic foothold in world resource markets, by developing 'captive mines' owned and controlled by Chinese corporations.<sup>45</sup> Third, it has also aimed to dilute the strength of the so-called 'Big-3' mining companies—BHP Billiton, Rio Tinto, and Brazil's Vale—which the Chinese Government has accused of being 'monopolists' that have artificially inflated global iron ore prices.<sup>46</sup> In other words, the arrival of Chinese SOEs in the Australian mining sector has not been driven purely by profitability motives, but also by the strategic economic objectives of the Chinese state.

The Australian Government is increasingly attentive to the possible impact of Chinese investment, and is more alert than its predecessors were about a similar Japanese strategy in the 1970s and 1980s.<sup>47</sup> The FIRB, which is charged with ensuring that investments are in the 'national interest', has recently become concerned about the possible strategic implications of Chinese resource investment. Former Treasurer Wayne Swan provided the FIRB with new guidelines for screening SOE investments in 2008,<sup>48</sup> which the head of the FIRB described as "a stricter policy aimed squarely at China's growing influence in Australia's resources sector".<sup>49</sup> While the current Abbott Government has attempted to position itself as 'open for

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<sup>41</sup> Yi-Chong Xu (ed.), *The Political Economy of State-owned Enterprises in China and India* (Basingstoke: Palgrave Macmillan, 2012).

<sup>42</sup> Andrew Szamosszegi and Cole Kyle, *An Analysis of State-owned Enterprises and State Capitalism in China* (Washington, DC: US-China Economic and Security Review Commission, 2011), p. 21.

<sup>43</sup> *Ibid.*, p. 89.

<sup>44</sup> Junsai Zhang, 'China Seeks to Invest, not Dominate', *The Australian*, 2 April 2009.

<sup>45</sup> Wilson, 'Chinese Resource Security Policies', p. 334.

<sup>46</sup> 'Iron Ore Monopoly May End by 2015', *China Daily*, 25 March 2011.

<sup>47</sup> On the latter, see Wilson, *Governing Global Production*, Chapters 4-6.

<sup>48</sup> Department of Treasury (Australia), *Summary of Australia's Foreign Investment Policy* (Canberra: Australian Government Publishing Service, 2008).

<sup>49</sup> Philip Dorling, 'Labor's Secret Curb on China', *Sydney Morning Herald*, 3 March 2011.

business', it has found itself coming under direct Chinese pressure to introduce a less intrusive, more even-handed policy regime as evidence of this approach.<sup>50</sup> FIRB screening was a key issue in negotiations for the ChAFTA agreement, whose investment chapter has subsequently and revealingly raised FIRB screening thresholds for *private*—but not *state-owned*—Chinese investors.<sup>51</sup>

Perhaps no incident better highlighted this tension than Chinese state-owned company Chinalco's abortive bid for a stake in Rio Tinto. Following its takeover of Canadian aluminum producer Alcan, a heavily-indebted Rio Tinto invited Chinalco to invest in the company in order to save it from a possible hostile takeover from BHP Billiton. Despite Chinalco's enthusiastic response, Rio Tinto withdrew from the deal in June 2009 in the face of considerable public consternation, regulatory hand-wringing, intense diplomatic lobbying and opposition from some Rio Tinto shareholders.<sup>52</sup> While the deal collapsed due to a combination of regulatory and investor concerns, Chinalco and Chinese observers more generally were convinced it had been killed off following the undisclosed intervention of the Australian Government and FIRB. As Jennifer Hewett points out, whatever the ultimate cause "the basic message [received in China] was that Australia was concerned about the prospect of China, a leading customer of its resources, having too much influence or control over those resources".<sup>53</sup> Nonetheless, the belief that national economic interests would be better served by a resource sector controlled by multinational mining firms would soon be shattered by the sector's response to proposed changes to fiscal policy.

## Australia and the Resource Curse

It is usually assumed that the perils of the 'resource curse' are primarily associated with developing economies such as Sierra Leone or Middle Eastern authoritarian regimes such as Saudi Arabia.<sup>54</sup> In these and similar cases, the importance of a single commodity can distort economic development and consolidate the political position of any group that is able to control its production and the wealth it generates to consolidate its power. Through patronage and rent-seeking activities, privileged insiders and the politically powerful can use their access to resource-generated wealth to

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<sup>50</sup> Anne Hyland, 'China Challenge for FIRB', *Australian Financial Review*, 10 June 2014.

<sup>51</sup> Department of Foreign Affairs and Trade (Australia), 'China-Australia Free Trade Agreement—Fact Sheet: Investment', <dfat.gov.au/trade/agreements/chafta/fact-sheets/Pages/fact-sheet-investment.aspx> [Accessed 11 June 2015].

<sup>52</sup> Richard Leaver and Carl Ungerer, *A Natural Power: Challenges for Australia's Resources Diplomacy in Asia* (Barton: Australian Strategic Policy Institute, 2010).

<sup>53</sup> Jennifer Hewett, 'Sorting Out the Miner Kerfuffle', *The Australian*, 21 February 2009.

<sup>54</sup> Richard M. Auty, 'The Political Economy of Resource-driven Growth', *European Economic Review*, vol. 45, no. 4-6 (2001), pp. 839-46.



entrench the position of what are invariably non-democratic, repressive regimes.<sup>55</sup>

For developed economies and democratic polities such as Australia, the resource curse might seem irrelevant. However, the structure of Australia's economy has been profoundly influenced by the growth of the resource sector. As in less developed economies, currency appreciation has had an adverse impact on other trade-exposed industries, especially manufacturing, agriculture and traded services (such as tourism).<sup>56</sup> While concerns about the negative impact of high resource prices and currency appreciation on Australian industry first emerged during the Japan-driven boom of the 1970s,<sup>57</sup> these had subsided in intervening years as mining fell from economic prominence. But as the Sino-Australian resource relationship gathered pace in the mid-2000s, these issues returned to the forefront of the national economic policy agenda. Indeed, Australia's trade profile shift towards mineral exports has made the economy as a whole much more vulnerable to commodity prices, which are notoriously volatile and now increasingly dependent on dynamics in the Chinese economy.

What is also becoming apparent is that the mining sector's power is not confined to its economic influence. Increasingly, the mining sector is exerting a *political* influence that reminds us that the possible consequences of the resource curse are not confined to the developing world. An underlying structural reality is the fact that the 'Australian' resource sector is overwhelmingly foreign owned. Decisions about investment and production are generally made by multinational corporations driven by a global organisational logic that may be at odds with the ostensible 'national interest'. The growing economic and political significance of the resource sector has in large part been driven by the fact it drives the burgeoning Sino-Australian trade relationship, which has enabled it to influence government policy in ways that reflect corporate interests. This possibility was dramatically highlighted in the intense political struggle that emerged over tax policy during the administration of Kevin Rudd.

The mining lobby collectively underwrote a highly effective campaign to oppose the Rudd Government's proposed Resource Super Profits Tax (RSPT). The tax proved extremely controversial, was stridently opposed by the mining sector and the then-opposition Liberal-National coalition, and led to an 'advertising war' between the federal Labor Government and industry. Following Kevin Rudd's removal from the prime ministership in June 2010, the Gillard Government reformed the proposal as the newly named Minerals Rent Resource Tax (MRRT). However, even this watered-down package

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<sup>55</sup> Michael L. Ross, 'Does Oil Hinder Democracy?', *World Politics*, vol. 53, no. 3 (2001), pp. 325-61.

<sup>56</sup> Corden, 'Dutch Disease in Australia'.

<sup>57</sup> Robert H. Gregory, 'Some Implications of the Growth of the Mineral Sector', *The Australian Journal of Agricultural Economics*, vol. 20, no. 2 (1976), pp. 70-91.

remained contested, and became one of the key issues contributing to the success of the Coalition in the September 2013 federal election. The MRRT also proved very short lived, only taking effect in the 2012-13 financial year before being repealed by the Abbott Government in September 2014. By investing \$22 million in a high profile advertising blitz, the mining sector was able to save an estimated \$60 billion in taxation revenues that the RSPT would have raised over ten years.<sup>58</sup> As Paul Cleary points out,

The success of multinational miners in securing these concessions, and in beating voters to the punch, reveals the perverse world order in which we live: an advanced country can possess enormous riches but lack the capacity to do what is clearly in its own long-term interest.<sup>59</sup>

The inability of a democratically elected government to compete with the financial firepower and political skills of a powerful set of vested interests is revealing and troubling. But of even greater concern was the fact that the mining lobby's highly successful campaign was instrumental in bringing about the downfall of Australia's then prime minister. True, Kevin Rudd had famously alienated many within in his own party, and was highly dependent on his public popularity to maintain authority within a notoriously faction-ridden, tribal and brutal party machine.<sup>60</sup> However, the mining industry had clearly emerged as an exceptionally powerful lobby group, capable of exercising considerable—and ultimately decisive—discursive influence over national policy debates.<sup>61</sup> The fact that this industry was overwhelmingly foreign-owned, and its political centrality was a consequence of growing (but asymmetric) trade ties with China, only adds to the perception that Australia's political and economic independence have become somewhat compromised.

## The Geopolitics of Trade

If these economic and political issues in Sino-Australian relations were not enough, geopolitics has further complicated policymaking. This should not surprise us. One of the big lessons of the entire East Asian developmental experience, of which China is now such an important part, is that politics, economics and security are intimately entwined. It is simply not possible to understand the course of the post-war economic 'miracle' in East Asia, for example, without considering the wider geopolitical context within which it occurred.<sup>62</sup> Moreover, for many East Asian states, economic development

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<sup>58</sup> Jessica Irvine, 'A \$60b Riddle: How Miners Took Taxpayers to the Cleaners', *The Age*, 18 February 2011.

<sup>59</sup> Paul Cleary, *Too Much Luck: The Mining Boom and Australia's Future* (Melbourne: Black Inc. Books, 2011), p. 79.

<sup>60</sup> Maxine McKew, *Tales from the Political Trenches* (Melbourne: Melbourne University Press, 2012).

<sup>61</sup> Stephen Bell and Andrew Hindmoor, 'The Structural Power of Business and the Power of Ideas: The Strange Case of the Australian Mining Tax', *New Political Economy*, vol. 19, no. 3 (2013), pp. 470-86.

<sup>62</sup> Richard Stubbs, *Rethinking Asia's Economic Miracle* (Basingstoke: Palgrave, 2005).

remains the core of a more encompassing view of national security.<sup>63</sup> This has major implications not just for the way many Asian states organise their economies and political relations, but for their trading partners, too. Unless such differences are recognised and understood, Australian policy will be incapable of grasping opportunities or responding to potential threats, especially to economic rather than more traditional forms of security.

Trade relations and economic interdependence cannot be understood in isolation. Australia's trade with China occurs within a complex strategic overlay and, as many commentators have noted, Australia's largest economic partner and principal strategic ally are geopolitical rivals.<sup>64</sup> At least when Japan was Australia's largest trade partner, they were both in the same ideological and strategic camp. Now Australian policymakers need to manage two pivotally important relationships at a time of rapid change in their own relative standing. The simple material reality is that no matter how much cultural and historical affinity may exist between Australian and American people, China's economy is exerting an irresistible gravitational pull that is reshaping the Australian economy and making the calculation of the national interest increasingly problematic. Choices currently facing Australian trade policy perfectly illustrate this dilemma.

Two new 'mega-regional' trade agreements are presently under negotiation in the Asia-Pacific: the US-led Trans-Pacific Partnership (TPP) and the ASEAN-led but China-backed Regional Comprehensive Economic Partnership (RCEP) agreement. The agreements are competing proposals, differentiated by membership and level of ambition for trade liberalisation. Their competition is also a proxy for US-China rivalry, with the United States a member of the TPP but not the RCEP (and China vice versa). Australia is presently one of a handful of countries that is a party to both negotiations, and must decide how (finite) political capital and diplomatic resources are divided between the initiatives.<sup>65</sup> While trade policy interests might normally be expected to be at the forefront of such decisions, it is impossible to disentangle these from geopolitical concerns. For the United States, the TPP constitutes the economic wing of its recently announced 'Pivot to Asia' strategy; while some voices in China have argued it is an attempt to economically 'contain' China by dictating the terms of regional trade liberalisation.<sup>66</sup> For Australia—and indeed, the other six countries party to

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<sup>63</sup> Mark Beeson, 'Security in Asia What's Different, What's Not?', *Journal of Asian Security and International Affairs*, vol. 1, no. 1 (2014), pp. 1-23.

<sup>64</sup> James Manicom and Andrew O'Neil, 'Accommodation, Realignment, or Business as Usual? Australia's Response to a Rising China', *The Pacific Review*, vol. 23, no. 1 (2010), pp. 23-44; Hugh White, 'Power Shift: Australia's Future Between Washington and Beijing', *Quarterly Essay*, vol. 39 (2010), pp. 1-74.

<sup>65</sup> Jeffrey D. Wilson, 'Mega-Regional Trade Deals in the Asia-Pacific: Choosing Between the TPP and RCEP?', *Journal of Contemporary Asia*, vol. 45, no. 2 (2015), pp. 345-53.

<sup>66</sup> John Kehoe, 'Pacific Trade Pact is all about Containing China', *Australian Financial Review*, 26 January 2015; Shannon Tiezzi, 'Will China Join the Trans-Pacific Partnership?', *The Diplomat*, 10 October 2014.

both TPP and RCEP negotiations—the risk exists that privileging one trade agreement over the other will implicitly (and perhaps unintentionally) signal geopolitical choices between the United States and China.

Given this backdrop, the decision to name China as a strategic threat in the Rudd Government's 2009 Defence White Paper, and the more recent commitment to establish a continuing American military presence in Darwin, assume even greater significance. Both of these decisions were plainly intended to send a powerful message about Australia's strategic priorities and its concern about how the 'rise of China' is viewed in Australia.<sup>67</sup> Whatever the merits of this strategic calculus, there is an implicit judgement that this is a call Australians can and ought to make without incurring major costs. And yet such a position ignores the growing asymmetries and biases in Australia's relationship with China, and China's increased ability to push back. True, China needs Australian resources, but the Australian economy is now structurally dependent on narrow economic ties with China that are extremely vulnerable to exogenous shocks. Moreover, it would hardly be surprising if Australia's recent security policy moves accelerate Chinese efforts to enhance their own economic security and independence, and to capitalise on its existing primacy in the bilateral economic relationship.<sup>68</sup>

## Conclusion

What does this array of economic complications mean for Australia's relations with China, and indeed the Asian region more broadly, in coming years? Two major implications stand out. First, they demonstrate that Sino-Australian economic relations themselves contain problematic tendencies. Narrow trade ties are posing new vulnerabilities for the Australian economy, while the complications of Chinese state capitalism make the relationship hard to broaden and diversify. Moreover, the reconfiguration of political-economic forces in Australia is changing the policymaking calculus within the country, while asymmetries in Sino-Australian trade ties have intensified Chinese influence from without. Coming to terms with China consequently means more than simply prudently navigating security tensions to ensure mutually beneficial economic integration can proceed smoothly. Problems within the economic relationship will require their own management strategies, and with China now Australia's number one trade partner the stakes have never been higher. Australian policymakers will be committing a dangerous error if they assume that economic relations with China are unproblematically positive on their own terms, or do not pose difficult choices.

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<sup>67</sup> Christopher Joye, 'We're all the Way with USA', *Australian Financial Review*, 25 January 2014.

<sup>68</sup> John Kerin, 'Dangerous Liaisons: Australia's Alliances Leave China Cold', *Australian Financial Review*, 7 July 2014.

Second, these economic complications mean that Australian policymakers will need to think creatively about how economic and security issues are balanced on the foreign policy agenda. The continuing primacy attached to more traditional forms of security by Australian policymakers is striking, but entirely in keeping with long-established tradition. Australian policymakers have always looked to 'great and powerful friends' to underwrite their security and recent events confirm that they still do. The question is whether, in an age of greater interdependence, when the likelihood of conventional inter-state war has declined, and when Australia has no real capacity to influence the outcome of such conflicts even if they were to occur, such high profile strategic initiatives are either necessary or productive. We think not. On the contrary, we think that if Australia is to play the sort of constructive 'middle power' role that recent governments have rhetorically championed, which suggests that Australia ought to play a more prominent, independent role as a broker of new ideas and policies, it could do so more effectively as an exemplar of a successful 'trading state'.<sup>69</sup> This would involve a shift in policy priorities that more accurately reflected Australia's weaknesses as well as its possible strengths. A more realistic understanding of the nature of its principal trading relationship and its impact on domestic economic and politics might be a good place to start. This is, after all, an arena in which Australian policymakers might realistically and legitimately expect to exert influence, and where their efforts might be more usefully directed.

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<sup>69</sup> Mark Beeson and Richard Higgott, 'The Changing Architecture of Politics in the Asia-Pacific: Australia's Middle Power Moment?', *International Relations of the Asia-Pacific*, vol. 14, no. 2 (2014), pp. 215-37.

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# Jokowi's 'Global Maritime Axis': Smooth Sailing or Rocky Seas Ahead?

Natalie Sambhi

In late 2014, Indonesia's President Joko Widodo unveiled his 'global maritime axis' concept, designed to reinvigorate the country's identity as a maritime nation, better defend its seas and boost the maritime sector. His ambitious plan, also known as the 'Jokowi doctrine', is to transform Southeast Asia's largest state located at the nexus of the Indian and Pacific Oceans into a global hub. The extent to which Jokowi can realise his ambitions, given their centrality to his policies, will be an important factor for Indonesia's identity, economy and defence. The article explores the key components of the 'global maritime axis' concept and discusses the challenges facing each component. It highlights the challenges in infrastructure and logistics, naval and coast guard defence, illegal fishing and regional relations, in the context of the Jokowi doctrine. The final section of the article analyses the potential opportunities for Australia-Indonesia relations and the impact the maritime vision has for Australia.

The maritime domain plays a large part in Indonesia's history. Across its vast archipelago, its people are connected by the sea and have relied on the oceans for trade and livelihood. In 1957, the Djuanda Declaration formalised the importance of the maritime domain for Indonesia, enshrining the idea that the seas formed part of Indonesian territory, echoed by the Indonesian word for 'homeland', *tanah air*, literally meaning 'land and water'. Being vast, Indonesia's maritime domains are also vulnerable—a point brought home by thorny issues like illegal fishing or disputed maritime boundaries.

With the election of Joko Widodo, also known as Jokowi, in October 2014, there has been a lively injection of thinking about Indonesia's national maritime psyche. As a presidential candidate, Jokowi opened a conversation about the importance of the nation's maritime domain and how its people have turned their backs on their sea. In order to address a number of domestic challenges and to unify his policies under a single vision, Jokowi introduced his ambition of transforming Indonesia into a 'global maritime axis'; that is, a nexus between the Indian and Pacific Oceans but also a strong and consolidated domain from which the Indonesian people could prosper.

Apart from its foreign policy dimensions, the concept looks predominantly to domestic concerns including protecting local economic interests by investing in sea-related infrastructure and countering illegal fishing. However, Jokowi's vision for Indonesia as a 'global maritime nexus', let alone 'maritime nation', remains incomplete. While it is visionary, it is piecemeal. What kind

of maritime nation will Indonesia be? How will Jokowi's component maritime policies work towards this vision? This article seeks to build on existing literature on the current president's global maritime axis vision by tracing the evolution of the so-called 'Jokowi doctrine' and critiquing the concept's utility. It will also examine the progress it has made in key policy areas—maritime infrastructure, territorial disputes, illegal fishing and military modernisation—and the challenges faced in each. It ends by exploring what a greater focus on maritime matters could mean for Australia–Indonesia relations and the opportunities therein.

## Evolution of the Jokowi Doctrine

During the election campaign, Jokowi and his running mate Jusuf Kalla submitted a publicly available political manifesto (a vision and mission statement and program for action) to the Indonesian Electoral Commission, outlining their grand outlook for Indonesia and core national priorities. The document expresses a clear desire to protect Indonesia's sovereignty and strengthen the country in terms of its physical infrastructure, economy, institutions and reputation. There is no explicit maritime doctrine in the statement, but amongst the national priorities there are maritime references. For instance, the statement notes Indonesia as both an important physical nexus between the Indian and Pacific oceans but also as an 'archipelagic state'.<sup>1</sup> The vision-mission statement highlights maritime issues including 'comprehensive maritime cooperation' in the context of foreign policy and developing the Indonesian National Armed Forces (Tentara Nasional Indonesia—TNI) as a 'regional maritime force'.<sup>2</sup> In terms of addressing some of Indonesia's maritime-related economic challenges, the statement also seeks to develop a maritime industry with supporting ports and establishing more sea routes through the archipelago, and eradicating illegal, unregulated and unreported fishing by foreign vessels.<sup>3</sup>

In his inauguration speech, Jokowi framed the importance of Indonesia's maritime character in philosophical and historical terms, declaring that the "oceans, seas, straits and bays [were] the future of [Indonesia's] civilisation".<sup>4</sup> He also invoked the Sanskrit phrase (and motto of the Indonesian Navy) *Jalesveva Jayamahe* meaning 'in the sea is where we will triumph' and closed by inviting his compatriots to sail with him, as their

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<sup>1</sup> Joko Widodo and Jusuf Kalla, *Jalan Perubahan untuk Indonesia yang Berdaulat, Mandiri dan Berkepribadian: Visi Misi, dan Program Aksi*, Jakarta, May 2014, <kpu.go.id/koleksigambar/VISI\_MISI\_Jokowi-JK.pdf> [Accessed 15 June 2015], p. 12.

<sup>2</sup> *Ibid.*, p. 14.

<sup>3</sup> *Ibid.*, p. 36.

<sup>4</sup> From the Indonesian "Samudra, laut, selat dan teluk adalah masa depan peradaban kita": Joko Widodo, 'Di Bawah Kehendak Rakyat dan Konstitusi', Inauguration Speech, Jakarta, 20 October 2014, <news.detik.com/berita/2723911/ini-pidato-lengkap-jokowi-saat-pelantikan-presiden/1> [Accessed 10 July 2015].



trusted captain, aboard the ship of the Republic of Indonesia towards a greater country.<sup>5</sup>

Jokowi further developed his maritime axis plans during a major speech at the East Asia Summit (EAS), held in Naypyidaw in November 2014. According to Jokowi, the geopolitical and geo-economic gravity in the twenty-first century had shifted to the Asia Pacific, with the sea increasingly important for the future.<sup>6</sup> Amidst significant geopolitical and geo-economic changes, Indonesia had to reorient itself as a 'global maritime axis' and as a power between two oceans.<sup>7</sup> Appropriate to the international setting, he emphasised the foreign policy dimensions of Indonesia's role as a global maritime axis in fostering regional and international cooperation to promote mutual prosperity.

The EAS speech is also significant as it was the first time Jokowi articulated the five 'pillars' of his axis concept: 1) rebuild Indonesia's maritime culture and recognise the intrinsic link between the country's identity, livelihood and future with the sea; 2) improve management of Indonesia's ocean resources, focusing on food security, through the development of the fishing industry, for instance; 3) prioritise maritime infrastructure and connectivity by improving ports, logistics, shipping and maritime tourism; 4) use maritime diplomacy to eliminate conflicts caused by illegal fishing, sovereignty breaches, territorial disputes, piracy, and marine pollution; and 5) develop maritime defence forces to both support Indonesia's sovereignty and wealth and to maintain navigation safety and maritime security.<sup>8</sup>

Upon election, one of the earliest manifestations of Jokowi's commitment to the concept was the creation of a Coordinating Minister for Maritime Affairs who is responsible for overseeing the ministers for transport, tourism, energy and fisheries.<sup>9</sup> He also upgraded the national Coordinating Maritime Security Body (BAKORKAMLA) into its own command, the National Maritime Security Board (BAKAMLA), responsible for coast guard patrols and maritime security policy (explained later in this article). In foreign policy terms, Jokowi leveraged the maritime domain to build more cooperation and

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<sup>5</sup> Ibid.

<sup>6</sup> Joko Widodo, Speech to 9th East Asia Summit, Naypyidaw, 13 November 2014, <[www.beritasatu.com/nasional/224809-ini-doktrin-jokowi-di-ktt-asia-timur.html](http://www.beritasatu.com/nasional/224809-ini-doktrin-jokowi-di-ktt-asia-timur.html)> [Accessed 11 December 2014].

<sup>7</sup> From the Indonesian "sebagai kekuatan yang berada di antara dua samudera": *ibid.*

<sup>8</sup> Ibid.

<sup>9</sup> Indroyono Susilo held the position until 12 August 2015, after Jokowi's first cabinet reshuffle. He was previously the Fisheries Management Director at the Food and Agricultural Organization and is seen to have brought the relevant experience to the role: "'I'm Ready to Face New Challenges," Says Maritime Affairs Minister', *The Jakarta Post*, 26 October 2014, <[www.thejakartapost.com/news/2014/10/26/i-m-ready-face-new-challenges-says-maritime-affairs-minister.html](http://www.thejakartapost.com/news/2014/10/26/i-m-ready-face-new-challenges-says-maritime-affairs-minister.html)>, [Accessed 20 July 2015].

investment with China and Japan during his official visits to Beijing and Tokyo in March.<sup>10</sup>

## A Useful Concept?

The 'global maritime axis' doctrine is a highly versatile concept for Indonesia; its domestic, foreign policy and philosophical dimensions appeal to a number of the Jokowi administration's policy goals. The Jokowi doctrine also contrasts with the more grandiose ambitions of the former president Yudhoyono who favoured, for instance, the foreign policy tagline of Indonesia as a 'regional power and global player'.<sup>11</sup> Jokowi has explained that the development of Indonesia's maritime domain is intrinsically linked to the country's material advancement in terms of improving trade, connectivity between islands and safeguarding maritime resources—a key concern outlined in the vision-mission statement. It is also a way of unifying the areas of investment and development in support of the more abstract idea of Indonesia as an archipelagic nation. As mentioned above, the concept has been used as a theme in bilateral cooperation with foreign partners. Former Cabinet Secretary Andi Widjajanto noted the potential synergy between Indonesia's nascent maritime doctrine and China's maritime Silk Road concept.<sup>12</sup>

The global maritime axis remains an important concept yet its centrality to Jokowi's politics should not be overstated. The idea of Indonesia as a global maritime axis sits alongside some other important Jokowi concepts such as '*gotong royong*', a predominantly Javanese concept understood in Indonesia as meaning 'working together for the communal good'. Jokowi emphasised the need for *gotong royong* in the vision-mission statement and his inauguration speech as well as naming his cabinet the *Kabinet Kerja* (Working Cabinet). Important to Jokowi's thinking is also the concept of '*revolusi mental*' or mental revolution in which he calls for the country to move away from outdated modes of thinking such as during the New Order era under Suharto.<sup>13</sup>

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<sup>10</sup> Natalie Sambhi, 'Jokowi's trip to Tokyo and China', *The Strategist*, 30 March 2015, <[www.aspistrategist.org.au/jokowis-trip-to-tokyo-and-china/](http://www.aspistrategist.org.au/jokowis-trip-to-tokyo-and-china/)> [Accessed 5 July 2015].

<sup>11</sup> Natalie Sambhi, 'Indonesia's Foreign Policy Challenges and Australia–Indonesia Relations', in Jonathan Chen, Andrea Gleason, Greta Nabbs-Keller, Natalie Sambhi, Kyle Springer and Danau Tanu, *New Perspectives on Indonesia: Understanding Australia's Closest Asian Neighbour* (Crawley: Perth USAsia Centre, 16 December 2014), <[perthusasia.edu.au/usac/assets/media/docs/publications/E-Book\\_New-Perspectives-on-Indonesia\\_Understanding-Australias-Closest-Neighbour.pdf](http://perthusasia.edu.au/usac/assets/media/docs/publications/E-Book_New-Perspectives-on-Indonesia_Understanding-Australias-Closest-Neighbour.pdf)> [Accessed 1 July 2015], pp. 26–27.

<sup>12</sup> Rendi A. Witular and Hasyim Widhiarto, 'Jokowi on World Stage, First Stop Beijing', *The Jakarta Post*, 9 November 2014, <[www.thejakartapost.com/news/2014/11/09/jokowi-world-stage-first-stop-beijing.html](http://www.thejakartapost.com/news/2014/11/09/jokowi-world-stage-first-stop-beijing.html)> [Accessed 5 July 2015].

<sup>13</sup> Joko Widodo, 'Revolusi Mental', *Kompas*, 10 May 2014, <[nasional.kompas.com/read/2014/05/10/1603015/revolusi.mental](http://nasional.kompas.com/read/2014/05/10/1603015/revolusi.mental)> [Accessed 1 July 2015].

The breadth of the maritime concept is also a potential weakness. While Jokowi has provided some ideas for implementing specific elements of the doctrine—such as building ports and developing the TNI's naval capabilities—a unifying blueprint remains to be seen. There are risks that investment and development of the various elements do not follow a grand strategy. In a recent Sea Power Centre paper, Geoffrey Till rightfully highlights questions raised by Indonesia's maritime community including whether the upgrading of ports should occur before or after economic development of certain islands.<sup>14</sup> Despite being announced as the first pillar of the Jokowi doctrine, there have also been few details from the administration on what a maritime culture looks like and how it plans to build or revitalise one (if there had been a pre-existing form). Without clear guidance, the idea of a 'maritime culture' could be interpreted in various ways: from 'maritime' in mere archipelagic terms to a more Mahanian sense of naval or sea power. This could prove challenging for policy development and coordinating the administration's efforts.

Lastly, there has been overemphasis on the foreign policy potential of the global maritime axis concept. As Aaron Connelly notes, Jokowi's conceptualisation of Indonesia as a global maritime nexus is not about maritime projection, rather it is inherently a domestically focused vision first.<sup>15</sup> Indonesia's geostrategic location as the nexus between the Indian and Pacific oceans as well as its significance to sea lanes of communication are important yet secondary considerations.

Aside from these conceptual issues, which may be resolved over the course of the presidency, there are a number of challenges in implementing certain elements of the Jokowi doctrine. The following section of this article will explore the key security and defence components and discuss the challenges the Jokowi administration faces in each area.

## **Infrastructure: Building a Vision**

Successive administrations have acknowledged that Indonesia requires significantly more investment in infrastructure if the country is to grow economically and raise its standard of living. In particular, Indonesia lacks sufficient transport and logistics infrastructure to move goods and people effectively and efficiently around its some 17,000 islands. In order to strengthen the country's maritime industry, priority areas identified include the construction of ports, railways, highways and toll roads, with the goal of increasing connectivity and reducing logistics costs each year by 5 per cent

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<sup>14</sup> Geoffrey Till, 'Indonesia as a Growing Maritime Power: Possible Implications for Australia', *Soundings*, no. 4, May 2015, Sea Power Centre – Australia, <[www.navy.gov.au/sites/default/files/documents/Soundings\\_No\\_4.pdf](http://www.navy.gov.au/sites/default/files/documents/Soundings_No_4.pdf)> [Accessed 19 June 2015], p. 3.

<sup>15</sup> Aaron Connelly, 'Sovereignty and the Sea: President Joko Widodo's Foreign Policy Challenges', *Contemporary Southeast Asia*, vol. 37, no. 1 (2015), p. 9.

by integrating land, air and sea domains.<sup>16</sup> For Indonesia to become a hub between the Indian and Pacific oceans, the government plans as many as twenty-four ports extending across the archipelago, with five of the twenty-four requiring USD 7 billion for construction.<sup>17</sup>

It should be highlighted that some of these priorities were also identified by the previous administration as part of its Masterplan for Acceleration and Expansion of Indonesia Economic Development (Masterplan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia—MP3EI) launched in 2011, designed to transform Indonesia into a developed country by 2025.<sup>18</sup> The Masterplan also focused on improving logistics and connectivity throughout the archipelago and, due to the country's "proximity to the new center of gravity of the global economy" (East Asia and Southeast Asia), transforming Indonesia into "a center for global logistics by 2025 or earlier".<sup>19</sup> These ideas are found in Jokowi's aims, unified as part of the global maritime axis vision, but they face the same bureaucratic challenges that existed during the Yudhoyono administration. The Masterplan was criticised for moving at a slow pace, with seven major projects only kicking off in the dying days of Yudhoyono's second term.<sup>20</sup> There has been early progress on areas of Jokowi's vision, with Coordinating Maritime Affairs Minister Soesilo reporting that construction for four of the planned twenty-four deep-sea ports had already commenced; however, ensuring sufficient funds for new construction remains an issue.<sup>21</sup> The global maritime vision will also be challenged by an economy that has slowed in growth over successive quarters.<sup>22</sup>

To address some of the revenue problems, Jokowi has pursued foreign investment for major infrastructure projects, seeking cooperation with both governments and the private sector in Japan and China. China's 21st Century Maritime Silk Road initiative, aimed at linking East Asia to the Middle East, provides further momentum for Jokowi to attract cooperation with Beijing on maritime infrastructure. In December 2014, Jokowi's foreign policy advisor Rizal Sukma stated that both maritime visions are

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<sup>16</sup> Widodo, Speech to 9th East Asia Summit; Widodo and Kalla, *Visi Misi, dan Program Aksi*, pp. 34-5.

<sup>17</sup> Indah Mutiari Kami, 'Bangun Pelabuhan Laut Dalam untuk Tol Laut Jokowi Butuh Rp 75 T', *detik finance*, 3 February 2015, <[finance.detik.com/read/2015/02/03/154248/2822289/4/bangun-pelabuhan-laut-dalam-untuk-tol-laut-jokowi-butuh-rp-75-t](http://finance.detik.com/read/2015/02/03/154248/2822289/4/bangun-pelabuhan-laut-dalam-untuk-tol-laut-jokowi-butuh-rp-75-t)> [Accessed 10 July 2015].

<sup>18</sup> Coordinating Ministry for Economic Affairs, Republic of Indonesia, *Masterplan for Acceleration and Expansion of Indonesia Economic Development 2011–2025* (Jakarta: Coordinating Ministry For Economic Affairs, 2011), <[www.kemlu.go.id/rome/Documents/MP3EI\\_PDF.pdf](http://www.kemlu.go.id/rome/Documents/MP3EI_PDF.pdf)>, p. 10.

<sup>19</sup> *Ibid.*, pp. 14, 16.

<sup>20</sup> Linda Yulisman, 'Yudhoyono Kicks off Seven Bold Master Plan Projects', *The Jakarta Post*, 6 September 2014, <[www.thejakartapost.com/news/2014/09/06/yudhoyono-kicks-seven-bold-master-plan-projects.html](http://www.thejakartapost.com/news/2014/09/06/yudhoyono-kicks-seven-bold-master-plan-projects.html)> [Accessed 20 July 2015].

<sup>21</sup> Kami, 'Bangun Pelabuhan Laut Dalam'.

<sup>22</sup> The World Bank projects a recovery in annual GDP growth figures for 2016 but only to 5.5 per cent, from 4.7 per cent in 2015: The World Bank, 'Indonesia', Country Data, 2014, <[data.worldbank.org/country/indonesia](http://data.worldbank.org/country/indonesia)> [Accessed 21 July 2015].

complementary and promote “connectivity, safety and diplomacy”.<sup>23</sup> Meanwhile, Japan and China are vying to build a high-speed railway connecting the capital Jakarta with Indonesia’s third-largest city, Bandung.<sup>24</sup>

## **Territorial Disputes and the South China Sea**

Indonesia is acutely aware of the vulnerability of its sovereignty and territorial integrity due to the sheer challenge of safeguarding the vast archipelago. This is compounded by disputes over islands, the claims from which can arise from historical economic use of these land features by parties such as Malaysia. Thus the safeguarding of Indonesia’s archipelagic sovereignty is a key strategic interest, reflected in the past in Indonesia’s Defence White Paper and more recently in its prioritisation in the president’s vision-mission statement and other key statements.<sup>25</sup> However, the most significant development in this area is the increasingly assertive behaviour of China over its territorial claims in the South China Sea.

Indonesian leaders have expressed concern about the South China Sea as a potential flashpoint; the potential remains for escalation from confrontations as was seen between the Philippines and China over the Scarborough Shoal. The pace with which China has been constructing artificial land formations in disputed waters has caused further uncertainty; China has stated that the islands could be used for both civilian and military purposes.<sup>26</sup> Unlike some other Southeast Asian states, Indonesia is a non-claimant state to the territory in the South China Sea claimed by China as part of its so-called ‘nine-dash line’ map submitted to the United Nations in 2009. However, Indonesia maintains a strong interest in the peaceful resolution of these disputes in accordance with international law and the maintenance of freedom of navigation in the surrounding seas. To this end, it has urged negotiations for a Code of Conduct between China and ASEAN to continue, with Jokowi affirming his support for a resolution on the matter “as quickly as possible”.<sup>27</sup> Indonesia’s Foreign Ministers have also offered to play the role of ‘honest broker’ in negotiations.

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<sup>23</sup> Sukma quoted in Basten Gokkon, ‘China and Indonesia’s Maritime Agendas Closely Aligned’, *Jakarta Globe*, 3 December 2014, <thejakartaglobe.beritasatu.com/news/china-and-indonesias-maritime-agendas-closely-aligned/> [Accessed 30 Marcy 2015].

<sup>24</sup> Ezra Sihite and Deti Mega S. P., ‘Indonesia Plans “Beauty Contest” between China and Japan for High-Speed Train’, *Jakarta Globe*, 13 July 2015, <thejakartaglobe.beritasatu.com/news/jakarta/indonesia-plans-beauty-contest-china-japan-high-speed-train/> [Accessed 21 July 2015].

<sup>25</sup> Department of Defence of the Republic of Indonesia, *Defence White Paper Indonesia 2008*, PER/03/M/II/2008, English edition (Jakarta: Government of Indonesia, 2008), pp. 35, 37, 47.

<sup>26</sup> Bonnie Glaser, ‘On the Defensive? China Explains Purposes of Land Reclamation in the South China Sea’, Asia Maritime Transparency Initiative, 20 April 2015, <amti.csis.org/on-the-defensive-china-explains-purposes-of-land-reclamation-in-the-south-china-sea/#> [Accessed 8 May 2015].

<sup>27</sup> Widodo, Speech to 9th East Asia Summit.

While Indonesia urges the finalisation of the Code of Conduct, its ability to remain a neutral party has become ever more challenging. Two major developments highlight this fact. First, a series of confrontations between Chinese fishing vessels and Indonesian authorities in waters off Indonesia's Natuna Islands undermine this neutrality. Located in Indonesia's Riau province, the Natuna area is home to the largest gas reserve in Asia with 46 trillion cubic feet of recoverable natural gas.<sup>28</sup> Because it is also an area vulnerable to illegal fishing, incursions by foreign fishing vessels are not uncommon. This is further complicated by an overlap between the Exclusive Economic Zone (EEZ) of Indonesia's Natuna Islands and China's nine-dash line claim. Indonesia's long-standing official policy is that there is no dispute with China. This position began with Ali Alatas, foreign minister in the 1990s, who refused to acknowledge the dispute to deny legitimacy to the Chinese nine-dash line claim.<sup>29</sup> As Alatas put it in 1995, "the repetition of an untruth will eventually make it appear as truth".<sup>30</sup> Instead, Indonesia issued a protest note to the United Nations in 2010, asking for clarification from China for the legal basis of its claim that, as stated in the note, "is tantamount to upset the UNCLOS 1982."<sup>31</sup> A recent example of this challenge occurred in 2013 when Indonesian authorities from the Ministry of Maritime Affairs and Fisheries arrested Chinese fishermen for operating illegally within the Natuna Islands' EEZ. Following threats and harassment by an armed Chinese maritime law enforcement vessel, the Indonesian captain was forced to release the fishermen.<sup>32</sup> Indonesian officials have not raised these and previous incidents publicly with China; as Ristian Atriandi Supriyanto warns, raising the skirmishes in an unacknowledged overlap between the Natuna EEZ and nine-dash line risks tarnishing Indonesia's status as a neutral party.<sup>33</sup>

Second, there have been conflicting policy statements on the South China Sea, signalling discord between government agencies. While the official

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<sup>28</sup> Amahl S. Azwar, 'Govt Looks to Approve East Natuna Bid', *The Jakarta Post*, 14 August 2013, <[www.thejakartapost.com/news/2013/08/14/govt-looks-approve-east-natuna-bid.html](http://www.thejakartapost.com/news/2013/08/14/govt-looks-approve-east-natuna-bid.html)> [Accessed 5 July 2015].

<sup>29</sup> Douglas Johnson, 'Drawn into the Fray: Indonesia's Natuna Islands Meet China's Long Gaze South', *Asian Affairs*, vol. 24, no. 3 (Fall 1997), p. 155.

<sup>30</sup> Ali Alatas quoted in I Made Andi Arsana, 'Is China a Neighbor to Indonesia?', *The Jakarta Post*, 8 August 2011, <[www.thejakartapost.com/news/2011/08/08/is-china-a-neighbor-indonesia.html](http://www.thejakartapost.com/news/2011/08/08/is-china-a-neighbor-indonesia.html)> [Accessed 3 July 2015].

<sup>31</sup> Permanent Mission of the Republic of Indonesia to the United Nations, Diplomatic Note no. 480/POL-703/VII/10, Unofficial Translation, 8 July 2010, <[www.un.org/depts/los/clcs\\_new/submissions\\_files/mysvnm33\\_09/idn\\_2010re\\_mys\\_vnm\\_e.pdf](http://www.un.org/depts/los/clcs_new/submissions_files/mysvnm33_09/idn_2010re_mys_vnm_e.pdf)> [Accessed 5 July 2015].

<sup>32</sup> Scott Bentley, 'Mapping the Nine-Dash Line: Recent Incidents Involving Indonesia in the South China Sea', *The Strategist*, 29 October 2013, <[www.aspistrategist.org.au/mapping-the-nine-dash-line-recent-incidents-involving-indonesia-in-the-south-china-sea/](http://www.aspistrategist.org.au/mapping-the-nine-dash-line-recent-incidents-involving-indonesia-in-the-south-china-sea/)> [Accessed 3 July 2015].

<sup>33</sup> Ristian Atriandi Supriyanto, 'Indonesia's South China Sea Dilemma: Between Neutrality and Self-Interest', *RSIS Commentary*, no. 126/2012, S. Rajaratnam School of International Studies, 12 July 2012, <[www.rsis.edu.sg/rsis-publication/idss/1788-indonesias-south-china-sea/#.VasbFiqqqko](http://www.rsis.edu.sg/rsis-publication/idss/1788-indonesias-south-china-sea/#.VasbFiqqqko)> [Accessed 5 July 2015].

policy affirms the absence of a dispute between Indonesia and China, in March 2014 Indonesian Air Commodore Fahru Zaini, then staff member for the Coordinating Minister for Political, Legal and Security Affairs, stated “China has claimed Natuna waters as their territorial waters ... This dispute will have a large impact on the security of Natuna waters.”<sup>34</sup> Then-Foreign Minister Marty Natalegawa was quick to clarify the country’s official position, responding to Zaini’s comments, affirming that “there are no outstanding or overlapping maritime territorial disputes” between Indonesia and China.<sup>35</sup> Yet the following month, then Commander of the Indonesian Armed Forces General Moeldoko also wrote that his country was “dismayed” that China had mapped part of the Natuna region in its nine-dash line claim, as found in Chinese passports issued last year.<sup>36</sup> The communication issue highlights some tension in Indonesia’s bureaucracy over this particular matter. The issue is further compounded by the president’s relative uncertainty on the matter, being quoted during his Tokyo trip in March as stating that China’s main claim in the South China Sea had no legal basis.

In addition to its economic importance, the area plays a significant role in defence scenario planning as well.<sup>37</sup> In 2014, a TNI commander posted there called for an increased military presence around Natuna,<sup>38</sup> while the previous administration announced the building of another military base on Natuna Island to house a helicopter squadron.<sup>39</sup> While some of the planning for these developments commenced before confrontations with Chinese vessels, the evolving developments in the South China Sea add further imperative to act.

The potential for confrontation with China near the Natuna Islands reveal an inherent tension in the global maritime axis vision. On the one hand, Jokowi plans for Indonesia to be a stable and peaceful nexus between the Indian and Pacific oceans. On the other hand, a military build-up in order to ensure stability also accords with a more muscular defence of Indonesian sovereignty, as envisioned as part of the president’s maritime policies. Yet a

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<sup>34</sup> ‘China Includes Part of Natuna Waters in Its Map’, ANTARA News, 13 March 2014, <[www.antaranews.com/en/news/93178/china-includes-part-of-natuna-waters-in-its-map](http://www.antaranews.com/en/news/93178/china-includes-part-of-natuna-waters-in-its-map)> [Accessed 3 July 2015].

<sup>35</sup> Kanupriya Kapoor and Jonathan Thatcher, ‘Indonesia Military Worries over Asia Arms Race, Territorial Tensions’, Reuters, 3 April 2014, <[in.reuters.com/article/2014/04/03/indonesia-military-idINDEEA3204W20140403](http://in.reuters.com/article/2014/04/03/indonesia-military-idINDEEA3204W20140403)> [Accessed 3 July 2015].

<sup>36</sup> Moeldoko, ‘China’s Dismaying New Claims in the South China Sea’, *The Wall Street Journal*, 24 April 2014, <[www.wsj.com/articles/SB10001424052702304279904579515692835172248](http://www.wsj.com/articles/SB10001424052702304279904579515692835172248)> [Accessed 27 June 2015].

<sup>37</sup> Evan Laksmana, ‘Why there is no “New Maritime Dispute” between Indonesia and China’, Cardinal Assessments, 2 April 2014, <[thecardinal.wordpress.com/2014/04/02/why-there-is-no-new-maritime-dispute-between-indonesia-and-china/](http://thecardinal.wordpress.com/2014/04/02/why-there-is-no-new-maritime-dispute-between-indonesia-and-china/)> [Accessed 5 July 2015].

<sup>38</sup> Karishma Vaswani, ‘The Sleepy Island Indonesia is Guarding from China’, *BBC News*, 20 October 2014, <[www.bbc.com/news/world-asia-29655874](http://www.bbc.com/news/world-asia-29655874)> [Accessed 28 June 2015].

<sup>39</sup> Indra Wijaya, ‘Indonesia to Build Military Base in Natuna’, *Tempo.co*, 10 September 2014, <[en.tempo.co/read/news/2014/09/10/055605767/Indonesia-to-Build-Military-Base-in-Natuna](http://en.tempo.co/read/news/2014/09/10/055605767/Indonesia-to-Build-Military-Base-in-Natuna)> [Accessed 3 July 2015].

build-up of military force in the area, such as the planned helicopter squadron, risks potential escalation between Indonesian and Chinese authorities, particularly when Chinese law enforcement vessels shadow illegal fishermen.

The Jokowi administration is also caught between a rock and a hard place in developing good ties with both China and the United States. In his March visit to Beijing, Jokowi secured much-needed investment from the Chinese Government and Chinese firms for Indonesian infrastructure and businesses. While it has been the practice of the Indonesian foreign policy elite to play down the existence of a dispute, military voices insistent on highlighting the problem and more violent skirmishes with Chinese vessels will inevitably cause a recalibration of this policy. In such circumstances, deepening cooperation with the Chinese Government could be challenging. Complicating the issue is the Jokowi administration's request for regular military exercises with the United States near the Natuna Islands.<sup>40</sup>

## Crackdown on Illegal Fishing

Indonesia sustains considerable losses due to illegal, unreported and unregulated (IUU) fishing, impacting the livelihood and prosperity of local fishermen as well as the country's food security. Estimates of annual losses range from USD 672 million to 25 billion, with the Ministry of Maritime Affairs and Fisheries calculating 670,000 tonnes of fish stolen each year.<sup>41</sup> As mentioned earlier, the Jokowi Government plans to strengthen the state's ability to protect Indonesian waters from this activity, which includes developing a coast guard and legal structures.<sup>42</sup> The creation of the Coordinating Minister for Maritime Affairs and the appointment of Susi Pudjiastuti, an airline entrepreneur known for a no-nonsense approach to bureaucracy,<sup>43</sup> as Minister for Maritime Affairs and Fisheries demonstrate further commitment to addressing the problem. In December 2014, Jokowi announced a ramping up of a policy of destroying foreign fishing vessels caught operating illegally in Indonesian waters—in the president's words,

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<sup>40</sup> Kanupriya Kapoor and Randy Fabi, 'Indonesia Eyes Regular Navy Exercises with U.S. in South China Sea', Reuters, 13 April 2015, <[www.reuters.com/article/2015/04/13/us-indonesia-us-southchinasea-idUSKBN0N40O320150413](http://www.reuters.com/article/2015/04/13/us-indonesia-us-southchinasea-idUSKBN0N40O320150413)> [Accessed 10 July 2015].

<sup>41</sup> The head of the Ministry of Maritime Affairs and Fisheries, Ahmad Poernomo, stated the annual loss based on 670,000 tonnes of fish stolen was USD 672 million: Ihda Fadila, 'Illegal Fishing, 672.000 Ton Ikan Raib', *Bisnis.com*, 11 March 2015, <[industri.bisnis.com/read/20150311/99/410834/illegal-fishing-672.000-ton-ikan-raib](http://industri.bisnis.com/read/20150311/99/410834/illegal-fishing-672.000-ton-ikan-raib)> [Accessed 16 July 2015]; Cabinet Secretary Andi Widjajanto was quoted as stating annual losses totalled around \$25 billion: Kanupriya Kapoor, 'Indonesia Holds 200 Malaysians in Crackdown on Illegal Fishing', Reuters, 19 November 2014, <[www.reuters.com/article/2014/11/19/us-indonesia-fishing-idUSKCN0J318O20141119](http://www.reuters.com/article/2014/11/19/us-indonesia-fishing-idUSKCN0J318O20141119)> [Accessed 16 July 2015].

<sup>42</sup> Widodo and Kalla, *Visi Misi, dan Program Aksi*, p. 25.

<sup>43</sup> Ben Bland, 'Indonesia Fisheries Chief Hooks Public Imagination', *Financial Times*, 2 January 2015, <[www.ft.com/intl/cms/s/0/03bc26c0-897b-11e4-ad5b-00144feabdc0.html](http://www.ft.com/intl/cms/s/0/03bc26c0-897b-11e4-ad5b-00144feabdc0.html)> [Accessed 3 January 2015].



“shock therapy”.<sup>44</sup> The administration's more assertive approach to this problem will face a combination of domestic and foreign policy challenges.

Some analysts consider the administration's policy of detaining illegal fishermen and burning foreign vessels as a cause for tension in regional relations.<sup>45</sup> On National Awakening Day in May, the government made a spectacle of its boat burning policy, blowing up forty-one vessels, including eleven from the Philippines, five from Vietnam, two from Thailand and one from China.<sup>46</sup> For instance, Southeast Asian commentators argue this as contrary to the spirit of close cooperation on illegal fishing, particularly with ASEAN partners leading up to the launch of the ASEAN Economic Community.<sup>47</sup> On a positive note, Jokowi's assertive posture on illegal fishing creates further potential for cooperation with partners. During a state visit to Indonesia in April by Norway's Prime Minister Erna Solberg, both leaders agreed to step up cooperation in illegal fishing, making use of Norway's more advanced monitoring and technological capabilities.<sup>48</sup> However, the government will have to employ greater diplomatic capital in dealing with countries like Thailand that are a source for illegal fishing vessels and a partner in eradicating the practice.

A particularly important test case is China. Jokowi will also have to balance maintaining good relations with China and implementing his crackdown on illegal fishing. As mentioned in the previous section, fear of confrontation between Indonesian and Chinese authorities around the Natuna Islands over the arrest of Chinese fisherman is a complicating factor. The high-profile nature of the boats' destruction and the language of the president are for domestic purposes as well. However, the government's approach to Chinese vessels appears to have been uneven in application. In February, Minister Pudjastuti berated the Indonesian Navy for allowing a Chinese ship, Fu Yuan Yu 80, to operate in Indonesian waters, despite the revocation of its license in 2013.<sup>49</sup> She was reported to be very upset in February when the operators of the Chinese vessel MV Hai Fa, a 4,306-tonne vessel detained

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<sup>44</sup> Ben Otto, 'President Jokowi Orders "Shock Therapy" for Illegal Fishing Boats', *The Wall Street Journal*, 9 December 2014, <blogs.wsj.com/indonesiarealtime/2014/12/09/president-jokowi-orders-shock-therapy-for-illegal-fishing-boats/> [Accessed 20 July 2015].

<sup>45</sup> Connelly, 'Sovereignty and the Sea'; Carl Thayer, 'Indonesia: Playing with Fire in the South China Sea', *The Diplomat*, 18 December 2014, <thediplomat.com/2014/12/indonesia-playing-with-fire-in-the-south-china-sea/> [Accessed 17 April 2015].

<sup>46</sup> Tama Salim, 'RI Flexes Muscle, Sinks Chinese Boat, a Big One', *The Jakarta Post*, 20 May 2015, <www.thejakartapost.com/news/2015/05/20/ri-flexes-muscle-sinks-chinese-boat-a-big-one.html> [Accessed 21 May 2015].

<sup>47</sup> See comments by Farish Noor and Frans Hendra Winarta in Thayer, 'Indonesia: Playing with Fire in the South China Sea'.

<sup>48</sup> 'Indonesia, Norway to Increase Cooperation to Fight Illegal Fishing', ANTARA News, 15 April 2015, <www.antaranews.com/en/news/98486/indonesia-norway-to-increase-cooperation-to-fight-illegal-fishing> [Accessed 16 April 2015].

<sup>49</sup> Nani Afrida, 'Susi Torpedoes Navy over Chinese Vessel', *The Jakarta Post*, 26 February 2015, <www.thejakartapost.com/news/2015/02/26/susi-torpedoes-navy-over-chinese-vessel.html> [Accessed 27 February 2015].

in December, were handed only a fine of Rupiah 200 million (approximately AUD 20,000) instead of the ship being sunk.<sup>50</sup> Some officials have stated that collusion and corruption have been an ongoing problem when high-profile poachers were involved, with orders 'coming from above' to release those captured.<sup>51</sup> Since Jokowi came to power, Indonesian authorities have destroyed one Chinese fishing vessel yet records show that the boat was detained in 2009.<sup>52</sup> Chinese vessels have also been detained since December yet the sinking of the 2009 vessel could be seen as 'low hanging fruit' and unlikely to draw strong diplomatic protest from China.

Indonesia's deterrence policies will also have to be matched with an increased coast guard presence and monitoring capabilities. As mentioned earlier, in late 2014, Jokowi officially upgraded the Coordinating Maritime Security Board (BAKORKAMLA) into the National Maritime Security Board (BAKAMLA), tasked as a civilian body to conduct security and safety patrols of Indonesia's territorial waters and jurisdictional areas.<sup>53</sup> It is more powerful than its predecessor as well as enjoying a larger staff and fleet.<sup>54</sup> However, BAKAMLA's coast guard function overlaps with other agencies including the Navy, National Police and Transportation Ministry that have coast-guard like tasks.<sup>55</sup> It also must coordinate the activities of twelve other maritime-related institutions.<sup>56</sup> Lastly, BAKAMLA is being gifted ten ships from the Navy, however, they require modifications such as the replacement of larger calibre weapons with smaller calibres to operate legally as civilian patrol vessels.<sup>57</sup> In order to boost its effectiveness as a coast guard and patrol agency, BAKAMLA will need more assets in addition to the two ships it currently operates. Thirty more are reportedly being built, but until then its operations will be limited.

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<sup>50</sup> Esto Suryowati, 'Menteri Susi Marah Kapal Pencuri Ikan Terbesar Hanya Diuntut Denda Rp 200 Juta', *Kompas.com*, 23 March 2015, <[bisniskeuangan.kompas.com/read/2015/03/23/151355426/Kapal.Pencuri.Ikan.Terbesar.Hanya.Dituntut.Denda.Rp.200.Juta.Menteri.Susi.Marah](http://bisniskeuangan.kompas.com/read/2015/03/23/151355426/Kapal.Pencuri.Ikan.Terbesar.Hanya.Dituntut.Denda.Rp.200.Juta.Menteri.Susi.Marah)> [Accessed 24 March 2015].

<sup>51</sup> Bagus BT Saragih, 'Combating Illegal Fishing: How Far Can the Govt Go?', *The Jakarta Post*, 25 January 2015, <[www.thejakartapost.com/news/2015/01/25/combating-illegal-fishing-how-far-can-govt-go.html](http://www.thejakartapost.com/news/2015/01/25/combating-illegal-fishing-how-far-can-govt-go.html)> [Accessed 24 March 2015].

<sup>52</sup> Salim, 'RI Flexes Muscle'.

<sup>53</sup> Badan Keamanan Laut Republik Indonesia, 'Tugas dan Fungsi Bakamla', official website, 19 March 2015, <[bakamla.go.id/home/tugas\\_fungsi](http://bakamla.go.id/home/tugas_fungsi)> [Accessed 20 July 2015].

<sup>54</sup> Nani Afrida, 'Bakamla Trapped in Overlapping Agencies', *The Jakarta Post*, 3 February 2015, <[www.thejakartapost.com/news/2015/02/03/bakamla-trapped-overlapping-agencies.html](http://www.thejakartapost.com/news/2015/02/03/bakamla-trapped-overlapping-agencies.html)> [Accessed 20 July 2015].

<sup>55</sup> Siswanto Rusdi, 'The Dilemma of Indonesia's Coast Guard', *The Jakarta Post*, 11 February 2015, <[www.thejakartapost.com/news/2015/02/11/the-dilemma-indonesia-s-coast-guard.html](http://www.thejakartapost.com/news/2015/02/11/the-dilemma-indonesia-s-coast-guard.html)> [Accessed 20 July 2015].

<sup>56</sup> Afrida, 'Bakamla Trapped in Overlapping Agencies'.

<sup>57</sup> Nani Afrida, 'Navy to Give 10 Ships to Bakamla', *The Jakarta Post*, 11 March 2015, <[www.thejakartapost.com/news/2015/03/11/navy-give-10-ships-bakamla.html](http://www.thejakartapost.com/news/2015/03/11/navy-give-10-ships-bakamla.html)> [Accessed 20 July 2015].

## Military Modernisation and the Global Maritime Axis

The discussion above on sovereignty, the South China Sea and illegal fishing also highlight the need for the country to boost its military maritime capabilities. There are additional sea-related issues facing the archipelago including piracy throughout the key shipping lanes in the Malacca Strait, the movement of trafficked goods and asylum seekers by boat, and natural disasters.<sup>58</sup> Traditionally a land-focused force, the TNI requires fighter aircraft, warships, patrol boats and submarines to adequately patrol and defend the country. Indonesia must also boost its surveillance capabilities. The previous administration commenced a military modernisation program, the Minimum Essential Force (MEF), designed to provide the minimum level required to defend Indonesia's strategic interests.

The Jokowi Government has pledged not only to continue Yudhoyono's MEF plan but to raise defence spending to 1.5 per cent of GDP in five years, develop Indonesia's local defence industry and build the TNI into a "regional maritime power respected in East Asia".<sup>59</sup> With economic growth at 4.7 per cent, the availability of funds for purchasing or upgrading weapons systems will be constrained. The acquisition of new weapons systems must also be complemented by an effective logistics system. As defence analyst Iis Gindarsah highlights, the TNI's logistical network has been developed to anticipate protracted guerrilla warfare.<sup>60</sup> The evolving strategic environment in the Asia-Pacific dictates an updating of Indonesia's war-fighting concepts and hence logistics approaches, with clearer guidance expected in the release of the 2015 Defence White Paper.

There are other institutional challenges to strengthening the Indonesian military's much-needed maritime capabilities. The Indonesian military, particularly the Army, has assumed a more prominent role in a number of law enforcement matters and civic affairs. These additional non-maritime duties could present a distraction in terms of resources and funding. In 2009, the Indonesian Government directed the military to take a greater role in counter-terrorism (CT) operations, traditionally the domain of the Indonesian police's elite CT unit, Detachment 88.<sup>61</sup> During his tenure as military chief, General Moeldoko signed several memoranda of

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<sup>58</sup> Minister of Defence Ryamizard Ryacudu listed these threats along with terrorism, pandemics, separatism, cyber attacks and narcotics as threats facing ASEAN: Ryamizard Ryacudu, speech to IISS Shangri-La Dialogue 2015 second plenary session, provisional translation, 30 May 2015, Singapore, <[www.iiss.org/en/events/shangri-la%20dialogue/archive/shangri-la-dialogue-2015-862b/plenary2-a5ab/ryacudu-048e](http://www.iiss.org/en/events/shangri-la%20dialogue/archive/shangri-la-dialogue-2015-862b/plenary2-a5ab/ryacudu-048e)>, [Accessed 1 June 2015].

<sup>59</sup> Widodo and Kalla, *Visi Misi, dan Program Aksi*, p. 14.

<sup>60</sup> Iis Gindarsah, 'Military (also) Needs Logistical Innovations', *The Jakarta Post*, 14 December 2012, <[www.thejakartapost.com/news/2012/12/14/military-also-needs-logistical-innovations.html](http://www.thejakartapost.com/news/2012/12/14/military-also-needs-logistical-innovations.html)> [Accessed 21 July 2015].

<sup>61</sup> Sidney Jones, 'TNI and Counter-Terrorism: Not a Good Mix', *Strategic Review*, 9 January 2012, <[www.crisisgroup.org/en/regions/asia/south-east-asia/indonesia/tni-and-counter-terrorism-not-a-good-mix.aspx](http://www.crisisgroup.org/en/regions/asia/south-east-asia/indonesia/tni-and-counter-terrorism-not-a-good-mix.aspx)> [Accessed 5 June 2015].

understanding on cooperation between the TNI and government ministries to undertake tasks from guarding understaffed prisons to countering extremism by disseminating the 'correct version' of Islam. Serious questions remain about the militarisation of these tasks. It should be noted that the military has not re-entered politics, so it is premature to liken the military's broadening role to its 'dual function' (*dwi fungsi*) under Suharto's New Order.

Serving or retired Army generals currently hold Indonesia's major military and intelligence posts, including the Minister for Defense Ryamizard Ryucudu, chief of the National Intelligence Body (BIN) Sutyoso and current TNI chief General Gatot Nurmantyo, whose predecessor was also an Army general. Nurmantyo has affirmed his commitment to strengthening the TNI in support of the global maritime axis vision,<sup>62</sup> although some analysts have expressed concern about "pro-army conservatism".<sup>63</sup> Jokowi's ability to manage potentially competing interests across the military's tasks and constrained spending across multiple portfolios will determine the extent to which the defence component of the maritime vision can be realised.

## Opportunities for Relations with Australia?

As its southern neighbour, Australia will watch the progress of the Jokowi doctrine with great interest. The evolving strategic environment in East Asia will continue to dictate that a strong and stable Indonesia that can defend its maritime domains is in Australia's interests. While bilateral ties are subject to periodic ups and downs, expanding cooperation with Indonesia on maritime matters will be particularly challenging. The state of current relations is, in large part, due to the prevailing governments in both countries and the ways in which their key policies collide. For instance, the current Australian Government's policy of turning boats suspected of carrying asylum seekers back into Indonesian waters has angered both politicians in Jakarta and the Indonesian public.<sup>64</sup> Australian naval incursions into Indonesian territorial waters such as those during December 2013 and January 2014<sup>65</sup> will be more poignant against the Jokowi administration's heightened sensitivity to maritime sovereignty. Any efforts of deepening of relations must be cognisant of this setting and the risks of higher-profile diplomatic stand-offs.

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<sup>62</sup> 'Panglima TNI: Dukung Penuh Poros Maritim', Kompas.com, 15 July 2015, <print.kompas.com/baca/2015/07/15/Panglima-TNI-Dukung-Penuh-Poros-Maritim> [Accessed 21 July 2015].

<sup>63</sup> International Institute for Strategic Studies, 'Chapter Nine: Indonesia: An Emerging Maritime Power', *Asia-Pacific Regional Security Assessment 2015: Key Developments and Trends* (London: International Institute for Strategic Studies, 2015), p. 142.

<sup>64</sup> Then-Foreign Minister Marty Natalegawa said he could not accept policies that would "violate Indonesia's sovereignty": 'Indonesia issues Warning Against Australia's Boat People Policy', ANTARA News, 24 September 2013, <www.antaranews.com/en/news/90847/indonesia-issues-warningagainst-australias-boat-people-policy> [Accessed 20 July 2015].

<sup>65</sup> David Wroe and Michael Bachelard, 'Australian Breach of Indonesian Territorial Waters Angers Jakarta', *Sydney Morning Herald*, 18 January 2014.

If Australia intends to capitalise on the Jokowi doctrine, efforts must begin with rebuilding trust and improving communication. Maritime expert Sam Bateman proposes that Australia make an effort to better understanding Indonesia's concepts of straight baselines, which has caused in part incursions by Australian naval boats and civilian aircraft into Indonesian territory.<sup>66</sup> Also, cooperation with Indonesia need not focus on bilateral means and indeed a multilateral setting could help ease bilateral confrontations while building familiarity on maritime matters. As the crisis over stranded asylum seekers off the costs of Malaysia and Indonesia in May attests, humanitarian and transnational security issues will necessitate multilateral cooperation in fora like the Bali Process. In fact, students from the US Naval War College argue that Bali Process member states could consider establishing a Combined Joint Interagency Coordination Group permanently within the Bali Process's Regional Support Office.<sup>67</sup> The Group could assist in the fusion of intelligence data, provide expertise in multinational and interagency planning, and coordinate responses.<sup>68</sup> As co-chairs of the Bali Process, Australia and Indonesia could explore maritime cooperation further through the prism of greater multilateral as opposed to mostly bilateral coordination or, in Australia's case, unilateral action.

Australia could also take cue from the 2006 Agreement between the Republic of Indonesia and Australia on the Framework for Security Cooperation (the Lombok Treaty) which includes articles on strengthening maritime safety cooperation and capacity building in aerial and naval maritime security.<sup>69</sup> The Australian and Indonesian navies already conduct coordinated maritime patrols (CORPAT AUSINDO) that focus on illegal fishing.<sup>70</sup> Ristian Atriandi Supriyanto argues that cooperation can now extend beyond material assistance to maritime security policymaking and the training of personnel.<sup>71</sup> Another way would be to boost Indonesia's maritime

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<sup>66</sup> Sam Bateman, 'Australia and Indonesia at Odds at Sea', *East Asia Forum*, 26 June 2015, <[www.eastasiaforum.org/2015/06/26/australia-and-indonesia-at-odds-at-sea/](http://www.eastasiaforum.org/2015/06/26/australia-and-indonesia-at-odds-at-sea/)> [Accessed 20 July 2015]; Sam Bateman, 'Incompetence: Australia's Incursions into Indonesian Waters', *The Interpreter*, 28 February 2014, <[www.lowyinterpreter.org/post/2014/02/28/Incompetence-Australias-incursions-into-Indonesian-waters.aspx](http://www.lowyinterpreter.org/post/2014/02/28/Incompetence-Australias-incursions-into-Indonesian-waters.aspx)> [Accessed 20 July 2015].

<sup>67</sup> Matt Boyce, Nicolas di Leonardo, Brian Evans, Nicolaus Heun, Sonya Lebowitz, Sander Matthews and Michael Rich, 'Realising the Full Potential of the Bali Process', *The Strategist*, 2 July 2015, <[www.aspistrategist.org.au/realising-the-full-potential-of-the-bali-process/](http://www.aspistrategist.org.au/realising-the-full-potential-of-the-bali-process/)> [Accessed 20 July 2015].

<sup>68</sup> Ibid.

<sup>69</sup> Articles 13 and 14 in the 'Agreement between the Republic of Indonesia and Australia on the Framework for Security Cooperation', Mataram, Lombok, 13 November 2006, <[www.austlii.edu.au/au/other/dfat/treaties/2008/3.html](http://www.austlii.edu.au/au/other/dfat/treaties/2008/3.html)> [Accessed 5 July 2015].

<sup>70</sup> Australian Department of Defence, 'Australia and Indonesia Combine Forces to Tackle Illegal Fishing', *Navy Daily*, 1 July 2015, <[news.navy.gov.au/en/Jul2015/Fleet/2141/Australia-and-Indonesia-combine-forces-to-tackle-illegal-fishing.htm#.Va4lvyqqqko](http://news.navy.gov.au/en/Jul2015/Fleet/2141/Australia-and-Indonesia-combine-forces-to-tackle-illegal-fishing.htm#.Va4lvyqqqko)> [Accessed 20 July 2015].

<sup>71</sup> Ristian Atriandi Supriyanto, 'Waves of Opportunity: Enhancing Australia-Indonesia Maritime Security Cooperation', *Strategic Insights*, Australian Strategic Policy Institute, November 2014, p. 5.

domain awareness which could prove both cost effective and help develop the country's common operating picture.<sup>72</sup>

Australia can also build cooperation to indirectly support the global maritime axis vision. Such cooperation could address institutional issues such as corruption and weak accountability. As discussed earlier, corruption has undermined the Maritime Affairs and Fisheries Ministry's ability to effectively prosecute and deter illegal fisherman. Elected on a platform that included a strong commitment to anti-corruption, the past six months have shown Jokowi falter by proposing a graft suspect as a candidate for the chief of the National Police. During the ensuing political stand-off between the Corruption Eradication Commission (KPK) and the police, Jokowi failed to support the anti-corruption agency, severely damaging his credentials and weakening the agency.<sup>73</sup> In order to realise Indonesia's potential as a global maritime axis, eradicating corrupt practices to encourage effective interagency cooperation will be key.

Lastly, Australia's experiences in interagency coordination and its whole-of-government approaches might prove fertile grounds for ideas and exchange with Indonesian counterparts. In the defence realm, Australia can continue to assist in indirect ways by supporting both BAKAMLA's and the TNI's capability and procurement processes. No matter the form that cooperation in this area takes, as stated earlier, the sensitivities of maritime sovereignty in the Jokowi administration warrant a quiet and consistent approach on Australia's behalf.

## Conclusion

While Jokowi's global maritime axis echoes similar themes and ambitions of his predecessor's development plans, his concept forms a rallying cry that builds on Indonesia's archipelagic identity and celebrates its source of prosperity. It also soberly recognises the country's vulnerabilities and provides an action item task list for defending its sovereignty and natural resources. Yet the extent to which Indonesia can become a truly *global*, as opposed to merely regional, hub between two major oceans and the nexus of major shipping lanes remains to be seen. Its infrastructure, institutional and economic challenges are by no means insignificant—in fact, they form the *leitmotif* in past attempts at reforming the country. Despite his early setbacks on issues like corruption, there are still pockets of optimism about Jokowi's ability to surmount bureaucratic obstacles, as he did in his previous offices, and to work with a difficult parliament. Buoyed by early gains with Japan and China, there is still potential to leverage the maritime domain to direct even more foreign investment towards Indonesia. For its part,

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<sup>72</sup> International Institute for Strategic Studies, 'Chapter Nine', p. 142.

<sup>73</sup> For a detailed discussion of the Budi Gunawan case and the KPK, see Jacqui Baker, 'Jokowi's Police Go Unpoliced', *East Asia Forum*, 4 May 2015, <[www.eastasiaforum.org/2015/05/04/jokowis-police-go-unpoliced/](http://www.eastasiaforum.org/2015/05/04/jokowis-police-go-unpoliced/)> [Accessed 8 May 2015].

Australia can support its neighbour's ambitions, bilaterally and multilaterally, though populist domestic politics will remain a sticking point. If Jokowi can make significant gains on his vision, it will indeed be a feat for a country so often described in terms of its potential rather than its successes. For the world's largest archipelago, realising its strength in its seas and embracing the rocky seas ahead are a good start.

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## **Some Thoughts on Australia and the Freedoms of Navigation**

Sam Bateman

Freedoms of navigation and overflight issues have been attracting considerable interest in recent months with calls for Australia to support the United States in conducting freedom of navigation (FON) operations in the South China Sea to challenge China's claims in the area. This comment discusses the importance of freedoms of navigation to Australia, including how this interest can sometimes conflict with Australia's interests both as a coastal State and in maintaining a stable neighbourhood. It concludes by identifying the costs and benefits of possible FON operations by Australia in the South China Sea. This comment piece draws upon work previously published by the Australian Strategic Policy Institute's *The Strategist* blog and the Australian National University's *East Asia Forum* blog.<sup>1</sup>

Freedoms of navigation and overflight (FON) are extremely important to Australia both economically and strategically. This is mainly because of Australia's dependence on seaborne trade most of which passes through the archipelagos to our north and north-east. The archipelagic arc stretching from Indonesia, the Philippines and Papua New Guinea (PNG) in the north, to the Solomon Islands, Vanuatu and Fiji in the north-east has great strategic importance to Australia. This is the region from or through which a threat to Australia could most easily be posed. It is also the area that provides opportunities for Australia to work on common interests with the ultimate objective of a more secure and stable region.<sup>2</sup>

The countries in the archipelagic arc, with the exception of Timor-Leste and New Caledonia,<sup>3</sup> are all archipelagic States under the regime of the archipelagic State established under the 1982 UN Convention on the Law of the Sea (UNCLOS). In a careful balancing of the interests of archipelagic States and the major maritime user States, rights of navigation and overflight through the waters of these countries are preserved through the regimes of innocent and archipelagic sea lanes (ASL) passage. The archipelagic State

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<sup>1</sup> See, Sam Bateman, 'Australia and the Freedoms of Navigation', 5 Jun 2015, 'What Are Australia's Interests in the South China Sea', 28 May 2015, 'Does the US Know what It's Doing in the South China Sea?', 19 May 2015, all at *The Strategist* <[www.aspistrategist.org.au](http://www.aspistrategist.org.au)>. See also, Sam Bateman, 'The Risks of US Freedom of Navigation Operations in the South China Sea', 1 June 2015, at *East Asia Forum* <[www.eastasiaforum.org](http://www.eastasiaforum.org)>.

<sup>2</sup> Sam Bateman and Quentin Hanich, 'Maritime Security Issues in an Arc of Instability and Opportunity', *Security Challenges*, vol. 9, no. 4 (2013), pp. 87-105.

<sup>3</sup> Timor-Leste is not an archipelagic State because it does not meet the UN Convention on the Law of the Sea (UNCLOS) criteria of being constituted wholly by one or more archipelagos and other islands. New Caledonia is not an archipelagic State because it is part of mainland France. Interestingly, it would qualify for archipelagic status if it were independent.

regime in UNCLOS allows countries that are constituted wholly by one or more archipelagos and possibly including other islands, to draw archipelagic straight baselines joining the outermost points of the outermost islands and drying reefs of the archipelago provided that such baselines include the main islands and certain other criteria relating to the ratio of land to water and the length of these baselines are met.<sup>4</sup>

The security of shipping passing through the Pacific Arc is a vital strategic interest for Australia. About 62 per cent of Australia's merchandise trade (73 per cent of exports and 52 per cent of imports) by value passes to or through the Arc.<sup>5</sup> This trade transits either from the north-west of Australia through the Indonesian archipelago or from the east coast to the east of PNG. Australia thus has a major interest in the freedom of navigation through the Pacific Arc as guaranteed by the ASL passage regime in UNCLOS.<sup>6</sup> Australia played a prominent role at the International Maritime Organization (IMO) in negotiations regarding Indonesia's implementation of this regime,<sup>7</sup> but no other archipelagic country in the arc has implemented the regime through the IMO. Without the ASL passage regime, Australia's seaborne trade would be subject to the vagaries of the archipelagic States to its north, which if only innocent passage was available, could suspend passage in particular straits from time to time.

## Navigational and Overflight Regimes

UNCLOS and customary international law identify three distinct navigational regimes: innocent passage applying to the territorial sea and archipelagic waters; transit passage through straits used for international navigation; and ASL passage through archipelagic waters. Innocent passage is the most restrictive of the passage regimes. UNCLOS Article 19 sets out the activities that constitute non-innocent passage, such as operating aircraft and engaging in an activity that is "prejudicial to the peace, good order or security of the coastal State". UNCLOS Article 24 provides that innocent passage may be suspended in certain circumstances, and Article 20 requires that submarines must travel on the surface and show their flag. Innocent passage applies only to ships and there is no associated right of overflight.

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<sup>4</sup> These criteria are set out in UNCLOS Article 47. Archipelagic baselines are drawn to different and more liberal rules to those applying to territorial sea straight baselines as set out primarily in UNCLOS Article 7.

<sup>5</sup> Trade with the ASEAN countries, China, Japan, Republic of Korea, Hong Kong and PNG. Figures are based on data in Australian Bureau of Statistics, *International Trade in Goods and Services August 2013* (Cat No 5368.0), <[www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/2E7E69A2898BC922CA257BF70011982A/\\$File/53680\\_aug%202013.pdf](http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/2E7E69A2898BC922CA257BF70011982A/$File/53680_aug%202013.pdf)> [Accessed 25 November 2013], Table 14.

<sup>6</sup> UNCLOS Article 53.

<sup>7</sup> Robin Warner, 'Implementing the Archipelagic Regime in the International Maritime Organization', in Donald Rothwell and Sam Bateman (eds), *Navigational Rights and Freedoms and the New Law of the Sea* (The Hague: Martinus Nijhoff Publishers, 2000), pp. 170-1.

The burden of proving non-innocent passage rests with the coastal State. This might be problematic in terms of proving whether a vessel is engaging in one of the activities in UNCLOS Article 19(2) that are deemed to be “prejudicial to the peace, good order or security of the coastal State”. For example, it would be hard to prove an act “aimed at collecting information to the prejudice of the defence or security of the coastal State”,<sup>8</sup> as there might be no external indication (e.g. additional aerals to collect communications or electronic intelligence) that such an act was being carried out. Another problem with innocent passage in the region is that some countries have legislation and regulations requiring prior notification or authorisation of the transit of warships through their territorial sea. These countries include China, Indonesia, the Philippines, South Korea and Vietnam.

The regime of ASL passage introduced by UNCLOS guarantees the non-suspendable right of ships and aircraft to transit through the waters of an archipelagic State, provided they use ASLs designated by the archipelagic State, or if no such lanes have been designated, along routes normally used for international navigation or overflight.<sup>9</sup> Outside these sea lanes, ships of all nations have the right of innocent passage only,<sup>10</sup> and there is no right of overflight. The vast difference in operational terms between the liberal nature of the ASL passage regime and the restrictions with innocent passage has made the identification of ASLs a vexed issue, with an archipelagic State seeking to minimise the number of sea lanes and the user States wishing to maximise the number. Interpreting the rules for drawing sea lanes, as set out in UNCLOS Article 53(5) in particular, is also proving more complex than may have been anticipated.<sup>11</sup>

Only Indonesia has so far designated ASLs.<sup>12</sup> However, these are just a partial designation as the designated ASLs only provide for a North-South transit and there is no East-West sea lane through the Java and Flores seas. Because this is a route normally used for international navigation, Australia, the United States and possibly other countries continue to exercise a right of ASL passage through these seas although this appears contrary to Indonesian regulations.

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<sup>8</sup> UNCLOS Article 19(2).

<sup>9</sup> UNCLOS Article 53.

<sup>10</sup> UNCLOS Article 52(1).

<sup>11</sup> UNCLOS Article 53(5) refers to continuous axis lines for archipelagic sea lanes (ASLs) from entry to exit and that ships and aircraft shall not deviate more than 25 nautical miles from either side of such axis lines, provided that ships and aircraft shall not navigate closer to the coast than 10 per cent of the distance between the nearest points on islands bordering the sea lane. The experience with Indonesia's designation of ASLs has shown that implementing these rules has required hydrographers and navigators from the archipelagic State and the user States to negotiate on virtually every mile of an ASL.

<sup>12</sup> Sea Power Centre—Australia, 'Indonesian Archipelagic Sea Lanes', *Semaphore*, Issue 6, April 2005, <[www.navy.gov.au/spc/publications/semaphore/semaphore-2005-issue-6](http://www.navy.gov.au/spc/publications/semaphore/semaphore-2005-issue-6)> [Accessed 12 June 2015].

The regime of transit passage in Section 2 of Part III of UNCLOS is similar to that of ASL passage. It gives all ships and aircraft the right to travel through straits used for international navigation in their normal operational mode on, under or over the water. Transit passage is defined as the exercise of the freedom of navigation and overflight by ships and aircraft through an international strait “between one part of the high seas or an exclusive economic zone and another part of the high seas or exclusive economic zone”.<sup>13</sup> Torres Strait and Bass Strait are both regarded as straits used for international navigation, as well as key global straits, such as Hormuz, Malacca and Singapore.

One difference between ASL passage and transit passage is that ASL passage in UNCLOS means the exercise of “the rights of navigation and overflight”,<sup>14</sup> whereas transit passage means the exercise of a “freedom of navigation and overflight”.<sup>15</sup> The difference between a ‘freedom’ and a ‘right’ may not be great in English, but when translated into Bahasa Indonesian, there is considerable difference. In Bahasa, a ‘freedom’ is a *kebebasan*, but a ‘right’ is a *hak*. A *kebebasan* is absolutely free, but a *hak* has connotations of a favour being granted with the granter of the favour retaining the right to set conditions on the favour. This distinction helps explain why Indonesians can be very sensitive to issues associated with the ASL passage regime.

The regimes of ASL and transit passage established by UNCLOS include a right of overflight. The ability to deploy military aircraft through these archipelagos to and from bases in mainland Australia is strategically important to Australia. Two operating methods are available to military and state aircraft in regard to flying through regulated airspace over an international strait or an ASL.<sup>16</sup> The first is to comply with the operating methods of civil aircraft and to seek necessary diplomatic clearances. This is generally simple and in peacetime normally achieves the objective as diplomatic clearances to enter sovereign airspace, either to land or transit through, are routinely granted by most countries.

The second method is to exercise the rights of transit or ASL overflight and fly through irrespective of Flight Information Region (FIR) or Air Defence Identification Zone (ADIZ) boundaries and without seeking diplomatic clearance. Air safety can be maintained by information messages to the air traffic control authorities. It is unlikely that civil aircraft will use these passage regimes as more convenient and less risky processes exist under current International Civil Aviation Organisation (ICAO) procedures.

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<sup>13</sup> UNCLOS Article 38(2).

<sup>14</sup> UNCLOS Article 53(3).

<sup>15</sup> UNCLOS Article 38(2).

<sup>16</sup> John Mordike and Ric Casagrande, ‘The 1982 Law of the Sea Convention: Some Implications for Air Operations’, *APSC Paper Number 51*, Canberra, Air Power Studies Centre, 1997, <[airpower.airforce.gov.au/Publications/Details/108/The-1982-Law-of-the-Sea-Convention-Some-Implications-for-Air-Operations.aspx](http://airpower.airforce.gov.au/Publications/Details/108/The-1982-Law-of-the-Sea-Convention-Some-Implications-for-Air-Operations.aspx)> [Accessed 14 June 2015], p. 9.

## Indonesia and the Law of the Sea

It is a major consideration for Australia that our large northern neighbour, Indonesia, attaches considerable importance to law of the sea issues, as well as to maritime issues generally.<sup>17</sup> Indonesia took a leading role in promoting the concept of an archipelagic State and has actively pursued maritime boundaries with its neighbours. For Indonesians, the sea is an integral part of the nation-state. Concepts of *nusantara* and *tanah air*, linking the islands of the Indonesian archipelago together rather than separating them, are fundamental principles of nation-building for Indonesia.<sup>18</sup>

Over the years, Indonesia has shown considerable sensitivity to the presence of foreign ships and aircraft in its waters. In July 2003, two Indonesian F-16Bs intercepted five F/A 18s from USS *Carl Vinson* in the Java Sea north-west of Bawean Island north of Bali. The aircraft jammed each other's electronics and flew attack profiles against each other. Indonesia claimed the Hornets were in Indonesian airspace and the United States asserted what it claimed to be customary rights to an East-West passage.<sup>19</sup> In October 2014, Indonesian Sukhoi fighter jets intercepted an Australian civilian plane and forced it to land in Manado for flying through Indonesian airspace.<sup>20</sup>

Australia was severely embarrassed in early 2014 when it was revealed that several RAN and Australian Customs vessels had entered Indonesian territorial waters in connection with Operation Sovereign Borders in December 2013 and January 2014. Australia apologised for these incidents and Indonesia demanded a halt to asylum-seeker boat turnbacks.<sup>21</sup> These incidents arose from a poor appreciation of Indonesia's straight archipelagic baselines.<sup>22</sup> As an archipelagic State, Indonesia is entitled to draw straight baselines connecting the outermost points of its archipelago, provided certain criteria are met. While the territorial sea normally extends 12 nautical

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<sup>17</sup> Iis Gindarsah and Adhi Priamarizki, 'Indonesia's Maritime Doctrine and Security Concerns', *RSIS Policy Report*, 9 April 2015, <[www.rsis.edu.sg/rsis-publication/idss/indonesias-maritime-doctrine-and-security-concerns/#.VYSEtKJi3A](http://www.rsis.edu.sg/rsis-publication/idss/indonesias-maritime-doctrine-and-security-concerns/#.VYSEtKJi3A)> [Accessed 14 June 2015].

<sup>18</sup> Robert Cribb and Michelle Ford, 'Indonesia as an Archipelago: Managing Islands, Managing Sea', in Robert Cribb and Michelle Ford (eds), *Indonesia Beyond the Water's Edge: Managing an Archipelagic State* (Singapore: ISEAS Publishing, 2009), p. 11.

<sup>19</sup> Hasjim Djalal, 'Indonesia's Archipelagic Sea Lanes', in Cribb and Ford, *Indonesia Beyond the Water's Edge*, p. 68.

<sup>20</sup> 'Indonesian Jets "Force Australian Plane to Land"', *news.com.au*, 23 October 2014, <[www.news.com.au/national/indonesian-jets-force-australian-plane-to-land/story-fncynjr2-1227098858304](http://www.news.com.au/national/indonesian-jets-force-australian-plane-to-land/story-fncynjr2-1227098858304)> [Accessed 9 June 2015].

<sup>21</sup> David Wroe and Michael Bachelard, 'Australian Breach of Indonesian Territorial Waters Angers Jakarta', *Sydney Morning Herald*, 18 January 2014, <[www.smh.com.au/federal-politics/political-news/australian-breach-of-indonesian-territorial-waters-angers-jakarta-20140117-310kk.html](http://www.smh.com.au/federal-politics/political-news/australian-breach-of-indonesian-territorial-waters-angers-jakarta-20140117-310kk.html)> [Accessed 11 June 2015].

<sup>22</sup> Sam Bateman, 'Incompetence: Australia's Incursions into Indonesian Waters', *The Interpreter*, Lowy Institute, 28 February 2014, <[www.lowyinterpreter.org/post/2014/02/28/Incompetence-Australias-incursions-into-Indonesian-waters.aspx](http://www.lowyinterpreter.org/post/2014/02/28/Incompetence-Australias-incursions-into-Indonesian-waters.aspx)> [Accessed 2 March 2014].

miles from land, if straight baselines are used it can extend much further — a ship can be well beyond 12 nautical miles from land and still be within the territorial sea of Indonesia.

## Australia and the Law of the Sea

As a maritime State with one of the largest exclusive economic zones (EEZs) in the world and an extensive outer continental shelf, the law of the sea is of considerable importance to Australia. However, a policy dilemma can arise between our interests as a maritime State and our interests in FON. This was apparent during negotiations on UNCLOS when Australia's position needed to reflect its interests as a coastal State while not wanting to see traditional FON reduced by extensions of maritime zones.<sup>23</sup>

Despite Australia's concern for FON, particularly in the archipelagos to its north, Australia has introduced measures that other countries view as restrictions on their FON. These measures include the introduction of compulsory pilotage in the Torres Strait,<sup>24</sup> the declaration of prohibited anchorage areas around undersea cables in the EEZ,<sup>25</sup> the introduction of mandatory ship reporting in parts of the EEZ adjacent to the Great Barrier Reef, and the declaration of the entire Australian EEZ as a submarine exercise area.<sup>26</sup>

Unlike the United States, Australia does not have a formal FON program, and we rarely follow the US example of formally protesting so-called 'excessive claims' to maritime jurisdiction. However, Australia routinely conducts de facto FON operations by, for example, not giving prior notification of the entry of RAN vessels into Indonesian waters outside of the declared ASLs. A noteworthy probable FON incident involving Australia occurred in 2001. A Chinese warship challenged three Australian navy ships in the Taiwan Strait heading from South Korea to Hong Kong.<sup>27</sup> The incident occurred about two weeks after a Chinese fighter jet collided with an American spy plane over the South China Sea, sparking diplomatic tensions between Beijing and Washington. The Australian vessels apparently

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<sup>23</sup> Ian Knox, 'Australian Naval Representation at UNCLOS III', in Stuart Mayer, Ian Knox and Ivan Shearer, 'Reflections on the Royal Australian Navy and the United Nations Convention on the Law of the Sea 1982', *Soundings*, no. 3, November 2014, <[www.navy.gov.au/media-room/publications/soundings-papers-november-2014](http://www.navy.gov.au/media-room/publications/soundings-papers-november-2014)> [Accessed 14 June 2015], p. 6.

<sup>24</sup> Sam Bateman and Michael White, 'Compulsory Pilotage in the Torres Strait: Overcoming Unacceptable Risks to a Sensitive Marine Environment', *Ocean Development & International Law*, vol. 40, no. 2 (2009), pp. 184-203.

<sup>25</sup> Border Protection Command, *Guide to Australian Maritime Security Arrangements* (Canberra: Australian Border Protection Command, December 2009), Figure 8, p. 30.

<sup>26</sup> Australian Hydrographic Service, 'Information Concerning Submarines', *Australian Annual Notice to Mariners*, No. 19, para. 3.

<sup>27</sup> Damian Grammaticas, 'Stand-off in Taiwan Strait', *BBC News*, 29 April 2001, <[news.bbc.co.uk/2/hi/asia-pacific/1303037.stm](http://news.bbc.co.uk/2/hi/asia-pacific/1303037.stm)> [Accessed 18 June 2015].

declined to change course, saying they were exercising their right to free navigation in accordance with the laws of the sea.

The United States is the only country in the world with a formal FON program.<sup>28</sup> It has three elements: bilateral and multilateral consultations with other governments that may be planning new claims regarded as contrary to international law; diplomatic representations and protests; and operational assertions of rights by US military units. The philosophy of the US FON program is that if claims and constraints are not challenged, they may over time come to be considered to have been accepted by the international community.

Three claims made by Australia have been protested by the United States.<sup>29</sup> These are firstly our establishment of territorial sea straight baselines and declaration of Anxious, Encounter, Lacepede and Rivoli Bays as historic bays. The United States does not recognise these claims and has lodged a diplomatic protest against them. However, while the United States routinely conducts FON operations against historic bays elsewhere in the world, it has not undertaken FON operations against the bays claimed by Australia. Secondly, the United States has protested Australia's claim to an EEZ around the Australian Antarctic Territory. Lastly, and the most serious of Australia's disagreements with the United States, is our introduction in 2006 of compulsory pilotage through the Torres Strait and the Great Northeast Channel.<sup>30</sup> This regime does not apply to ships with sovereign immunity, but due to difficulties of navigation in the area, US Navy vessels routinely take pilots for the passage of the strait. However, in requesting a pilot, a US Navy ship will note that its request is voluntary and not based on the mandatory pilotage scheme.

## **FON in the South China Sea**

The United States is contemplating sending military ships and aircraft to assert FON around Chinese-claimed islands in the South China Sea.<sup>31</sup> There are three main implications of this possible action. The first is the status of China's claims to the disputed islands. A recent authoritative report

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<sup>28</sup> During the fiscal year 2014, the United States conducted operational assertions to challenge excessive maritime claims by the following regional countries: China, India, Indonesia, Iran, Malaysia, Maldives, the Philippines, Sri Lanka, Taiwan and Vietnam. The claims by Indonesia challenged by the United States included the partial designation of archipelagic sea lanes and the requirement for prior notification by foreign warships to enter Indonesia's territorial sea and archipelagic waters. Under Secretary of Defense for Policy, US Department of Defense, *DoD Annual Freedom of Navigation (FON) Reports*, <[policy.defense.gov/USDPOffices/FON.aspx](http://policy.defense.gov/USDPOffices/FON.aspx)> [Accessed 12 June 2015].

<sup>29</sup> US Navy Judge Advocate General's Corps, 'US Maritime Claims Reference Manual', <[www.jag.navy.mil/organization/code\\_10\\_mcrm.htm](http://www.jag.navy.mil/organization/code_10_mcrm.htm)> [Accessed 8 June 2015].

<sup>30</sup> Bateman and White, 'Compulsory Pilotage in the Torres Strait'.

<sup>31</sup> Andrew Browne, 'U.S. Gambit Risks Conflict With China: Option to Challenge Beijing in South China Sea is Fraught with Danger', *Wall Street Journal*, 13 May 2015, <[www.wsj.com/articles/u-s-gambit-risks-sucking-it-into-conflict-with-china-1431505129](http://www.wsj.com/articles/u-s-gambit-risks-sucking-it-into-conflict-with-china-1431505129)> [Accessed 16 May 2015].

from the Center for Naval Analyses in Washington concluded that while Vietnam may have a better claim to both the Spratlys and the Paracels, “[a]t the same time, U.S. policymakers cannot lose sight of the fact that China’s claims may be superior”, and that “[t]he absence of an unambiguous legal case in any of these disputes reinforces the wisdom of the U.S. policy of not taking a position regarding which country’s sovereignty claim is superior.”<sup>32</sup> The action now being contemplated risks being seen as an indication that the United States has taken a position on the sovereignty claims.

The second issue is the oft-stated line from Washington that China threatens FON in the South China Sea. But China has always said that with freedoms of navigation and overflight, it only disputes the right of the United States to conduct military activities, particularly certain types of intelligence collection and military data gathering (so-called ‘military surveys’) in its exclusive economic zone. China’s disputation of the right of the United States to undertake the latter activities has some merit, particularly when the military surveys constitute marine scientific research, which is under the jurisdiction of the coastal State in its EEZ. It is also significant that several other regional countries, India, Malaysia and Thailand, share China’s position on military activities in the EEZ.

The last issue arises from reports that the options being considered in Washington include sending aircraft and ships *within* 12 nautical miles of the reefs and islands occupied by China. This would be acceptable if the features had previously been submerged at high tide and thus only entitled to a 500 metre safety zone around them and not a territorial sea. If, however, they were features that were entitled to a territorial sea, the United States would be exercising a right of innocent passage. But sending ships into such waters specifically for demonstrating a right would not be a legitimate exercise of innocent passage. UNCLOS makes clear that innocent passage should be “continuous and expeditious”, and should not involve “any threat or use of force against the sovereignty, territorial integrity or political independence of the coastal State”.<sup>33</sup>

The Australian Government is also contemplating a ‘freedom of navigation’ exercise, which would involve an Australian P-3 Orion surveillance aircraft flying very near artificial islands being built by China in the South China Sea.<sup>34</sup> This would be acceptable if it only involved the features not entitled to a territorial sea. There is no right of overflight through a territorial sea. However, Australia does have some established practice in this area with

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<sup>32</sup> Michael McDevitt, ‘The South China Sea: Assessing U.S. Policy and Options for the Future’, *CNA Occasional Paper*, November 2014, <[www.cna.org/sites/default/files/research/IOP-2014-U-009109.pdf](http://www.cna.org/sites/default/files/research/IOP-2014-U-009109.pdf)> [Accessed 12 February 2015], p. vii.

<sup>33</sup> UNCLOS Articles 18(2) and 19(2).

<sup>34</sup> ABC, ‘Government Reportedly Planning “Freedom of Navigation” Exercise in South China Sea’, RN Breakfast, 2 June 2015, <[www.abc.net.au/radionational/programs/breakfast/government-reportedly-planning-freedom-of/6513778](http://www.abc.net.au/radionational/programs/breakfast/government-reportedly-planning-freedom-of/6513778)> [Accessed 5 June 2015].



Australian aircraft routinely conducting maritime surveillance patrols in the South China Sea through Operation Gateway. This is part of Australia's enduring contribution to the preservation of regional security and stability in South East Asia under the Five Power Defence Arrangement (FPDA).<sup>35</sup>

Australia must weigh the costs and benefits of joining the United States in FON operations in the South China Sea beyond what currently takes place with Operation Gateway. The only benefits lie in the support such operations would provide for the United States as our major strategic partner but Australia needs to tread carefully here. The legal situation is less than clear and US objectives in undertaking FON operations in the South China Sea need also to be seen in the provocations they provide to China.

An argument has been made that our own freedoms of navigation are under threat in the South China Sea. It is patently false to claim that about 60 per cent of overseas trade passes through the South China Sea.<sup>36</sup> Based on the latest data for Australia's overseas trade, it might not even be half that—and about three-quarters of it would be trade to and from China. Thus the notion of a threat to our seaborne trade from China is rather a non-sequitur. Our overseas trade crossing the South China Sea includes that with China (with a total of 23.9 per cent of our two-way overseas trade), Thailand (2.8 per cent), Taiwan (1.9 per cent), Vietnam (1.4 per cent) and Hong Kong (1.2 per cent).<sup>37</sup> And even these figures overstate our dependence on the South China Sea, as it is only trade with southern China that crosses the sea. These figures are based on overseas trade by value. Trade by volume could provide a different result recognising the high volume of our exports (coal, iron ore, LNG, and other minerals) carried by sea, but it would still be nothing like 60 per cent.

Strategically, freedom of navigation is an important interest for Australia, particularly through the archipelagos to our north, but it would be unwise of Australia to become associated with the currently unilateral, and legally questionable, assertions by the United States. Such an involvement would do nothing for our image as an independent player in the region.

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<sup>35</sup> Department of Defence, 'Operation Gateway', <[www.defence.gov.au/operations/SouthChinaSeaIndianOcean/](http://www.defence.gov.au/operations/SouthChinaSeaIndianOcean/)> [Accessed 8 June 2015].

<sup>36</sup> Bonnie Glaser, 'High Stakes for Australia in Limiting China's South China Sea Incursions', *The Age*, 22 May 2015, <[www.theage.com.au/comment/high-stakes-for-australia-in-limiting-chinas-south-china-sea-incursions-20150521-gh6nvv.html](http://www.theage.com.au/comment/high-stakes-for-australia-in-limiting-chinas-south-china-sea-incursions-20150521-gh6nvv.html)> [Accessed 25 May 2015].<sup>37</sup> Department of Foreign Affairs and Trade, 'Composition of Trade Australia 2013-14', <[dfat.gov.au/about-us/publications/Documents/cot-fy-2013-14.pdf](http://dfat.gov.au/about-us/publications/Documents/cot-fy-2013-14.pdf)> [Accessed 24 May 2015], Table 8.

<sup>37</sup> Department of Foreign Affairs and Trade, 'Composition of Trade Australia 2013-14', <[dfat.gov.au/about-us/publications/Documents/cot-fy-2013-14.pdf](http://dfat.gov.au/about-us/publications/Documents/cot-fy-2013-14.pdf)> [Accessed 24 May 2015], Table 8.

## Conclusion

Australia has a clear strategic interest in the situation in the South China Sea not deteriorating further. However, the situation with maritime claims there is complex and there is no evidence at present that Australia's core navigational rights and freedoms are being challenged. Any attempt to assert less than core rights would risk an accusation of hypocrisy given that Australia itself has adopted arrangements that other countries, most particularly the United States, regard as limitations on customary FON.

Australia's broader regional relations must also be considered. As Peter Drysdale has recently pointed out, Asia takes Australia seriously as a "crucial element in Asia's security in terms of strategic resource and energy supply".<sup>38</sup> That is where Australia's bigger picture and interests in the South China Sea lie. The sea itself is not that important to Australia rather it is our broader regional role. Rather than contemplating direct involvement, Australia might use its good offices to play a role in de-escalating the situation in the South China Sea. The overall objective of all stakeholders in regional stability should be to demilitarise the South China Sea to reduce the risks of an unfortunate incident. Australia could help by expressing its concern to China about using its reclaimed islands for military purposes, and to the United States about an overly aggressive military response to China.

China has not made clear just what restrictions on navigation and overflight it is imposing around features it occupies in the South China Sea. When and if it does, then after careful consideration of the legal 'rights and wrongs' of China's claims, a diplomatic protest by Australia would be more appropriate than by now 'jumping the gun' and flying aircraft into a disputed and complex legal situation. As well as provoking China, such a gesture would be widely seen in the region as Australia slavishly following the United States and trying to act again as the region's 'deputy sheriff'.

We might also promote the notion of an operational and strategic level agreement to cover issues such as safety zones around disputed features, restrictions on particular types of operation in particular areas. These might include submarine 'no go' areas (or even not to conduct FON operations in disputed waters), hot lines, operational transparency, and prior notices of major maritime operations.

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<sup>38</sup> Peter Drysdale, 'The Importance of Reliable Resource Markets to Australian and Asian Security', *East Asia Forum*, 25 May 2015, <[www.eastasiaforum.org/2015/05/25/the-importance-of-reliable-resource-markets-to-australian-and-asian-security/](http://www.eastasiaforum.org/2015/05/25/the-importance-of-reliable-resource-markets-to-australian-and-asian-security/)> [Accessed 28 May 2015].

*NSW in 2001 on 'Strategic and Political Aspects of the Law of the Sea in East Asian Seas'.*  
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## Notes for Contributors

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