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# **Strategic Balancing Act: Australia's Approach to Managing China, the USA and Regional Security Priorities**

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This paper examines and takes stock of the changed dynamics in Australia's relationships with China and the United States. It revisits the importance of the US alliance to Australia's security and considers a range of regional bilateral and multilateral options to pursue as Australian strategists seek to bolster the security and prosperity of the nation and the region. It argues that in the absence of compelling alternatives, Australia must hold its nerve in remaining actively engaged with the United States and China. That involves carefully balancing economic and security interests while maintaining a focus on the goal of regional security and prosperity. Additional measures to pursue include enhanced relations with Indonesia, Japan, India and Canada, as well as the ASEAN related forums, the Five Power Defence Arrangements and a proposed MANIS regional maritime cooperation forum to sweeten ties between Malaysia, Australia, New Zealand, Indonesia and Singapore.

Not since the 1940s has Australia's strategic environment been in such a state of change and uncertainty. With so much in flux, Australia must hedge its bets by reinvigorating a broad range of regional bilateral and multilateral relationships, including with the United States. This article sets out to review aspects of the strategic environment generating the uncertainty and to provide recommendations for how to respond. The article includes three major sections. First, there is a discussion of the uncertainties entailed in Australia's two most important bilateral relationships, China and the United States and how the Beijing-Washington relationship in turns affects Australian interests. Second, the article considers what Australia should do, looking at key regional security partnerships, including with the United States, and the need for Australia to bolster and diversify those ties to mitigate the risks associated with a rising China. Third, the article offers some conclusions and recommendations.

## **Changed Balance of Power**

For more than seventy-five years, Australia has looked to the United States for its security and, for the last sixty years at least (since the 1957 trade agreement with Japan), it has looked increasingly to Asia for its economic prosperity. In the last decade, however, China has eclipsed Japan as Australia's greatest trade partner, while the United States remains by far Australia's largest economic partner (when bilateral trade and investment is

taken into account).<sup>1</sup> Holding the US and China relationships in balance has been manageable so far, but is becoming increasingly challenging. With much uncertainty, Australia must hedge its bets by reinvigorating a broad range of other regional bilateral and multilateral relationships. But which ones matter? What purpose might they serve? And what pitfalls might be encountered?

## China

Following the rapprochement between Nixon and Mao in China in 1972, Australia also reconsidered its approach. Prime Minister Gough Whitlam established diplomatic relations with China that same year and a mutually beneficial relationship has flourished since then. Few could have imagined how important China would become to Australia.<sup>2</sup>

Today, China is Australia's largest two-way trading partner in goods and services (valued at \$150.0 billion in 2015-16), its largest export market (\$85.9 billion in 2015-16) and largest source of imports (\$64.1 billion in 2015-16). The Australian Government has pursued a number of initiatives to strengthen and diversify this relationship, not the least of which is the 2015 China-Australia Free Trade Agreement. Increasingly, Australia has benefitted and come to depend on the bilateral relationship across a range of domains. China, for instance, is Australia's largest source of overseas students, with more than 136,000 Chinese having studied in Australia in 2015. China has become Australia's highest spending inbound tourism market, with around 1.1 million visits to Australia from Chinese nationals in 2015-16.<sup>3</sup> The astounding growth in links point to Australia's increased dependence on China and, not surprisingly, its increased concern about a potential clash between its economic interests with China and its security ties with the United States.

## United States

Australian strategists and policymakers, when reflecting on Australia's relationship with the United States and of the neighbourhood's security needs, are influenced in their thinking by the events of 1942.<sup>4</sup> With another Asian power having emerged or re-emerged and now challenging the

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<sup>1</sup> See Department of Foreign Affairs and Trade, 'United States', fact sheet, <dfat.gov.au/trade/resources/Documents/usa.pdf> [Accessed 9 April 2017].

<sup>2</sup> There is an interesting dimension to the bilateral Australia-China relationship explored in John Blaxland, *The Protest Years: The Official History of ASIO, 1963-1975, Vol II* (Sydney: Allen & Unwin, 2015).

<sup>3</sup> Department of Foreign Affairs and Trade, 'China Country Brief', <dfat.gov.au/geo/china/pages/china-country-brief.aspx> [Accessed 3 February 2017].

<sup>4</sup> That was when, following the defeat at Singapore at the hands of the Japanese, and General Douglas MacArthur's rout from the Philippines, the United States decided to retain Australia as a base from which to launch its offensives against Imperial Japanese forces in the Southwest Pacific Area.

established order, the experience in 1942 influences the thinking of diplomats, strategists and policymakers alike.<sup>5</sup> It drove Australian policy makers to seek the ANZUS Treaty in 1951 as a security guarantee and buffer against the fear of the possible emergence of a re-armed and belligerent Japan. This is what Allan Gyngell describes as Australia's *Fear of Abandonment*.<sup>6</sup>

Central to understanding America's security role in Asia is the so-called 'hub-and-spokes' network of alliances in Asia. Despite Australia's wariness of being drawn into crises in Northeast Asia, the United States has encouraged greater inter-connectedness between the spokes in the US hub-and-spokes network of Cold War-era military alliances. But as Rory Medcalf and his National Security College colleagues have argued, "This self-help will make the system more resilient, deepen Australia's relationships with other regional countries, provide a hedge against possible US disengagement and help counter perceptions in the United States that other countries are 'free riding' on US security commitments".<sup>7</sup>

As Professor Hugh White argued some years ago, and as is now becoming increasingly apparent, uncontested American primacy is no longer necessarily the case. In 2009, he argued that as America becomes less able or willing to offer help, it may become more demanding for help from Australia. And if America chose to contest a Chinese challenge to its leadership head-on, Australia, being one of the 'spokes', would face a complex, costly and unwelcome set of choices.<sup>8</sup> Back then, it was relatively easy to dismiss White's views. That is harder to do in the face of the changing regional dynamics and the emergence of an iconoclastic and transactional US president apparently intent on confrontation with China including over the South China Sea.

## **Changes under Trump**

In 2017, how much has changed? There no doubt would be a heated discussion about any calls for support under President Trump.<sup>9</sup> Australia has not faced such a conundrum in generations. So what is to be done? Australia must weigh-up carefully the balance of its economic and security interests as they play out in this context.

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<sup>5</sup> A useful reference on the significance and developments in this period is Peter Dean (ed.), *Australia 1942: In the Shadow of War* (Melbourne: Cambridge University Press, 2013).

<sup>6</sup> Allan Gyngell, *Fear of Abandonment: Australia in the World since 1942* (Melbourne: Black Inc., 2017).

<sup>7</sup> Rory Medcalf, Ryan Young, Marina Tsirbas and Matt Sussex, 'The Trump Presidency and Australia's Security: Don't Panic, Don't Relax', *Policy Options Paper*, no. 1 (Canberra: National Security College, Australian National University, January 2017), p. 3.

<sup>8</sup> Hugh White, *A Focused Force* (Sydney Lowy Institute, 2009), pp. 20-21.

<sup>9</sup> See Nick Bisley and Brendan Taylor, *Conflict in the East China Sea: Would ANZUS Apply?* (University of Technology Sydney: Australia-China Relations Institute, November 2014).

For many in Australia, the uncertainty arising from Trump's iconoclastic approach to governing is perhaps not as unsettling as the events of 1942, but it is certainly as unsettling as any event since President Nixon's declaration of the so-called Guam Doctrine nearly fifty years ago in 1969. Back then, Nixon declared that, while keeping its treaty commitments, each US ally in Asia had primary responsibility for its own security.<sup>10</sup>

## Weighing up Options

Dr Andrew Carr, has written about Australia as a middle power and recently noted that for middle-sized countries, like Australia, "periods of flux and uncertainty are the times of greatest opportunity". He also observed that, with the end of World War Two and again with the end of the Cold War, middle powers enjoyed their greatest influence. "New ideas, new institutions and new relationships are formed at times like these".<sup>11</sup> With this in mind, it is worth re-examining Australia's ties to consider relationships that merit further development.

Today, Australia looks and feels more like an integral part of the Indo-Pacific—a term which in itself helps reframe our understanding of Australia's neighbourhood by bringing India and the Indian Ocean into the equation and placing Southeast Asia front and centre—what Indonesian President Joko Widodo described as a 'maritime fulcrum'.<sup>12</sup>

## India

Rory Medcalf and C. Rajah Mohan have called for increased Australian cooperation with India to build regional resilience against the vagaries of US-China relations. They see India and Australia as well placed to form the core of a middle power coalition to build regional resilience and see cooperation possible in a range of areas. Yet as one military writer observed, distance and differing priorities restrict those prospects. India prides itself on its "non-aligned" image and values its autonomy. In addition, its security concerns remain domestic and land border-focused.<sup>13</sup> Developing this relationship is important, but Australian policymakers should have modest expectations.

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<sup>10</sup> See Peter Dean, 'ANZUS: The Alliance and its Future in Asia' in *Australia's Defence: Towards a New Era?* (Carlton, Vic.: Melbourne University Press, 2014), pp. 213-4.

<sup>11</sup> See Andrew Carr, *Winning the Peace: Australia's Campaign to Change the Asia-Pacific*, Melbourne University Press, 2015); and 'Time to Harness the Motivating Force of Fear', *the interpreter*, 7 February 2017, <[www.lowyinstitute.org/the-interpreter/time-harness-motivating-force-fear](http://www.lowyinstitute.org/the-interpreter/time-harness-motivating-force-fear)> [Accessed 8 February 2017].

<sup>12</sup> Rendi A. Witar, 'Jokowi Launches Maritime Doctrine to the World', *The Jakarta Post*, 13 November 2014, <[www.thejakartapost.com/news/2014/11/13/jokowi-launches-maritime-doctrine-world.html](http://www.thejakartapost.com/news/2014/11/13/jokowi-launches-maritime-doctrine-world.html)> [Accessed 3 February 2017].

<sup>13</sup> Rory Medcalf and C. Raja Mohan, *Responding to Indo-Pacific Rivalry: Australia, India and Middle Power Coalitions*, Lowy Institute, 8 August 2014, <[www.lowyinstitute.org/publications/responding-indo-pacific-rivalry-australia-india-and-middle-power-coalitions](http://www.lowyinstitute.org/publications/responding-indo-pacific-rivalry-australia-india-and-middle-power-coalitions)> [Accessed 8 February 2017]; and Paul Kenny, *Enhancing the Australia-India*

## Japan

Japan has its own conflicted history with its neighbours and it too has sought to enhance security ties with Southeast Asia and Australia—all with an eye on the changing US-China dynamics.<sup>14</sup> But Japan's relationship with Southeast Asia and Australia presents a complicated security and diplomatic challenge in the event of a crisis. Australia and Japan have a strong and broad-ranging security partnership, and, along with the United States, the three countries progress cooperation on strategic issues through the Trilateral Strategic Dialogue mechanism. Australia and Japan consult regularly on regional security issues. The growing Australia-Japan defence relationship includes regular bilateral and trilateral exercises with the United States.<sup>15</sup>

The United States, under President Obama, effectively guaranteed the Senkaku/Diaoyu Islands coverage under the US-Japan security treaty.<sup>16</sup> Defence Secretary Mattis's early 2017 visit to Japan indicates the Trump administration intends to honour that pledge. In the event of a clash over the islands, there are concerns Australia could be drawn into the fight, even though the trilateral dialogue mechanisms do not specifically address the issue of defending Japan.

Meanwhile, in a move that appears, in part at least, to reflect growing unease about American resolve, Japan has increased its defence budget to US\$43.55 billion in part at least to fund a pivot away from guarding the nation's north to reinforce an island chain stretching 1,400 kilometres along the southern wedge of the East China Sea.<sup>17</sup>

Japan's actions in reaching out and spending more reflect their own national interests. But for Australia, do closer security ties with Japan potentially draw Australia into a clash in Northeast Asia? Or would they help stare

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*Defence Relationship* (Canberra: Centre for Defence and Strategic Studies, April 2015), <[www.defence.gov.au/ADC/Publications/IndoPac/Kenny\\_IPSP.pdf](http://www.defence.gov.au/ADC/Publications/IndoPac/Kenny_IPSP.pdf)> [Accessed 8 February 2017].

<sup>14</sup> See J. Berkshire Miller, 'With an Eye on China—and Trump—Japan Enhances Security Ties With Southeast Asia', *World Politics Review*, 26 January 2017, <[www.worldpoliticsreview.com/articles/21002/with-an-eye-on-china-and-trump-japan-enhances-security-ties-with-southeast-asia?utm\\_source=Weekly+Headlines&utm\\_campaign=11691bab70-wed-free-02012017&utm\\_medium=email&utm\\_term=0\\_6e36cc98fd-11691bab70-63162449](http://www.worldpoliticsreview.com/articles/21002/with-an-eye-on-china-and-trump-japan-enhances-security-ties-with-southeast-asia?utm_source=Weekly+Headlines&utm_campaign=11691bab70-wed-free-02012017&utm_medium=email&utm_term=0_6e36cc98fd-11691bab70-63162449)> [Accessed 2 February 2017].

<sup>15</sup> Department of Foreign Affairs and Trade, 'Japan Country Brief', <[dfat.gov.au/geo/japan/pages/japan-country-brief.aspx](http://dfat.gov.au/geo/japan/pages/japan-country-brief.aspx)> [Accessed 3 February 2017].

<sup>16</sup> Ankit Pannda, 'Obama: Senkakus Covered Under US-Japan Security Treaty', *The Diplomat*, 24 April 2014, <[thediplomat.com/2014/04/obama-senkakus-covered-under-us-japan-security-treaty/](http://thediplomat.com/2014/04/obama-senkakus-covered-under-us-japan-security-treaty/)> [Accessed 3 February 2017].

<sup>17</sup> Franz Stephan Gady, 'Japan Approves Modest Defense Budget Hike', *The Diplomat*, 23 December 2016 <[thediplomat.com/2016/12/japan-approves-modest-defense-budget-hike/](http://thediplomat.com/2016/12/japan-approves-modest-defense-budget-hike/)> [Accessed 9 May 2017].

down intimidation? There are some compelling reasons in terms of the benefits of enhanced interoperability, noting that Australian and Japanese forces have a substantial track record of collaboration in East Timor (1999), in Aceh (2004-2005), in Iraq (2005-2006), and in response to other disasters and crises in Japan (2011) and around the Asia-Pacific region. Understandably, however, some pundits have argued for caution to avoid undue commitments in defence of Japanese national priorities that may not necessarily align with those of Australia, while engaging more closely in what is effect a hedging strategy.<sup>18</sup> Others argue for a greater diversification in security relations.

## ASEAN

Closer to home, Australia's ties with Southeast Asia have grown exponentially in recent years. The Association of Southeast Asian Nations, or ASEAN, consolidated as a five-nation entity in 1967 and then expanded to ten nations after the end of the Cold War. In response to changed dynamics, Australia's trade, tourism, cultural and educational ties with ASEAN countries have grown dramatically. This was accompanied by a significant growth in immigration from across Asia.<sup>19</sup>

Nowadays, the Department of Foreign Affairs and Trade acknowledges, Australia's economic and security interests are inextricably linked with the neighbours. With a population of 620 million and a combined GDP approaching US\$2.5 trillion, the region has become an increasingly important partner for Australian trade and investment. In 2014 alone Australia's total trade with ASEAN countries totalled more than \$120 billion—which is more than total Australian trade with Japan, the European Union or the United States.<sup>20</sup> In effect, ASEAN trade is second only to Australia's trade with China. This reflects the growth in free trade agreements including the ASEAN-Australia-New Zealand Free Trade Agreement, which came into force in January 2010, complemented with bilateral agreements with Malaysia, Singapore and Thailand.<sup>21</sup> People links are strong and growing as well, thanks to strong educational ties, two-way tourist traffic and migration. The 2011 census lists over 650,000 people in Australia as claiming

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<sup>18</sup> See Hugh White, 'An Australia-Japan Alliance?', *Centre of Gravity* series no. 4 (Canberra: Strategic and Defence Studies Centre, Australian National University, December 2012), <sdsc.bellschool.anu.edu.au/sites/default/files/publications/attachments/2016-03/cog4\_white.pdf> [Accessed 8 February 2017].

<sup>19</sup> See Australian Bureau of Statistics, '3412.0—Migration, Australia, 2014-15', <www.abs.gov.au/ausstats/abs@.nsf/mf/3412.0/> [Accessed 2 February 2017].

<sup>20</sup> Department of Foreign Affairs and Trade, 'Association of Southeast Asian Nations (ASEAN)', <dfat.gov.au/international-relations/regional-architecture/asean/Pages/association-of-southeast-asian-nations-asean.aspx> and 'ASEAN-Australia-New Zealand Free Trade Agreement', <dfat.gov.au/trade/agreements/aanzfta/pages/asean-australia-new-zealand-free-trade-agreement.aspx> [Both accessed 1 February 2017].

<sup>21</sup> Ibid.

Southeast Asian heritage.<sup>22</sup> While still Western, Australia is more Asian than ever.

Today, Australia is more entwined with Southeast Asia than ever, with foreign, trade and defence ministers frequently engaging counterparts in the ASEAN Regional Forum, the East Asia Summit and the ASEAN Defence Ministers Meeting Plus forum. In addition, there are senior officials meetings and other bilateral meetings on the sidelines of these and other forums like APEC and the Asia-Europe Meetings. Australia actively engages in the associated working groups to improve Australia's network of trade, educational, tourism and other ties and to bolster regional security and stability.

These ties are important, but there are limits to their utility. ASEAN operates on a consensus basis and struggles to speak with one voice. It is unquestionably in Australia's interests to pursue this relationship but this has to be done with a clear-eyed understanding of the limits of ASEAN's power and reach. China effectively has prevented it from speaking with one voice on anything remotely controversial concerning the South China Sea, insisting on dealing with such issues bilaterally, thus avoiding the potential strength in ASEAN unity that might undermine its interests there.<sup>23</sup>

When considering the components of ASEAN, Indonesia looms large. A country once colonised by the Dutch and now totalling over 250 million people spread over more than 17,000 islands, Indonesia is the world's third largest democracy with the world's largest Muslim population. Indonesia also has felt a certain unease about the Western transplant to its south. That unease has never really manifested itself as identifying Australia as a threat. Nevertheless, the relationship has certainly been contentious, with vicissitudes over more than half a century, akin to a game of "snakes and ladders".<sup>24</sup>

Indonesians, largely, do not fear Australia but many in the establishment are wary. They know Australia clashed with Indonesia during *Konfrontasi* in the mid-1960s. Australia also disagreed with Jakarta over the fate of Dutch New Guinea, now Papua, until the UN supervised so-called act of free choice in 1969 confirmed Indonesian sovereignty over the territory. Australia later

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<sup>22</sup> Ibid. DFAT records that there were over one million ASEAN visitors to Australia in 2014 and over 100,000 students from ASEAN countries enrolled to study in Australia.

<sup>23</sup> See for instance, Manuel Mogato, Michael Martina and Ben Blanchard, 'ASEAN Deadlocked on South China Sea, Cambodia Blocks Statement', 26 July 2016, *Reuters*, <[www.reuters.com/article/us-southchinasea-ruling-asean-idUSKCN1050F6](http://www.reuters.com/article/us-southchinasea-ruling-asean-idUSKCN1050F6)> [Accessed 4 February 2017].

<sup>24</sup> This metaphor is used in Gary Hogan, 'The East Timor Crisis and the Australia-Indonesia Relationship', in John Blaxland (ed.), *East Timor Intervention: A Retrospective on INTERFET* (Carlton, Vic.: Melbourne University Publishing, 2015), pp. 194-208.

backed Indonesia's annexation of East Timor in 1975 and then, changed its mind in 1999, in what many in Jakarta see as an act of perfidy.<sup>25</sup>

Australia mended fences following terrorist attacks in Bali and Jakarta and the Indian Ocean Tsunami. But the relationship has been on-again, off-again since then, thanks to Australia's poor handling of a range of issues including beef, boats, spies, clemency and Papua. That is, Australia's sudden cessation of live cattle exports to Indonesia, Australia stopping boats laden with people seeking unregulated entry into Australia, the Snowden eavesdropping revelations, and Indonesia's unwillingness to offer clemency to Australians on death row.<sup>26</sup> Australia's security is linked inextricably to the security and stability of Indonesia and Indonesia has a key role to play in the South China Sea as the largest and most significant nation in ASEAN—with its Exclusive Economic Zone under challenge from China's claims as well.<sup>27</sup> With extensive shared history and long memories, the relationship remains brittle and fragile, despite having common concerns about the security and stability of the neighbourhood. Creatively and respectfully engaging with Indonesia is of fundamental importance to Australia. Ways need to be found to minimise the turbulence in the bilateral relationship.

If we look at another Southeast Asian country, Thailand, for instance, we can get a sense of the competing dynamics at work. I have led a research project funded by the Minerva Research Initiative, examining Thailand's views of the great powers in the past and present, with projections into the future as well. Being one of four mainland Southeast Asian Theravada Buddhist states, one without a claim in the South China Sea and the only country in mainland Southeast Asia with a treaty relationship with the United States, examining Thailand's views is important. Through this prism one gets a sense of the great power rivalry dynamics across Southeast Asia. With hundreds of surveys over the last couple of years already gathered and analysed, it is evident that Thailand perceives Chinese influence as having risen to match if not outpace American influence (see Figure 1).

What is becoming increasingly clear is that countries like Thailand understand that they need to foster good relations with China and to seek greater Chinese investment. At the same time, however, despite occasional diplomatic spats and the fallout over the 2014 military coup, Thai authorities very much value their American ties. They do not want the United States to

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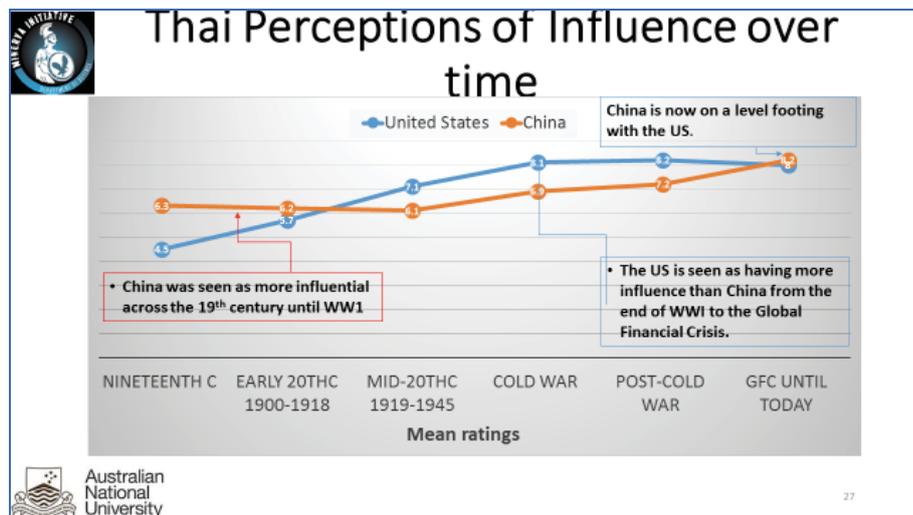
<sup>25</sup> For a sense of the Indonesian military's resentment, see Gary Hogan, 'The East Timor Crisis and the Australia-Indonesia Relationship', in John Blaxland (ed.), *East Timor Intervention: A Retrospective on INTERFET* (Carlton, Vic.: Melbourne University Publishing, 2015).

<sup>26</sup> See John Blaxland, 'ASEAN Unity an Institution for Asian Stability', East Asia Forum, 29 April 2015, <[www.eastasiaforum.org/2015/04/29/asean-unity-an-institution-for-asian-stability/](http://www.eastasiaforum.org/2015/04/29/asean-unity-an-institution-for-asian-stability/)> [Accessed 3 February 2017].

<sup>27</sup> See John Blaxland, 'Australia, Indonesia and Southeast Asia', in Peter Dean, Stephan Frühling and Brendan Taylor (eds), *Australia's Defence: Towards a New Era?* (Carlton, Vic.: Melbourne University Press, 2014).

leave the neighbourhood. There is a certain institutional inertia, with much invested already in having common US-derived procedures and equipment and usage of the English language—which also happens to be the language of ASEAN, let's not forget. Much like at the time of great power rivalry during the late nineteenth and early twentieth century, Thais appreciate having counterpoints and alternative power bases that can be played off against each other. In all likelihood, that sense of unease at the prospect of a diminished American engagement is equally if not more strongly felt elsewhere in Southeast Asia. In gauging its response, Australian policymakers should take heed of these indicators and examine other regional arrangements as well—including with Singapore.

**Figure 1: Thai perceptions of influence over time**



Source: Minerva Research Initiative.

Building on existing security and economic ties, Australia and Singapore made a joint announcement in mid-2015 of an 'Australia-Singapore Comprehensive Strategic Partnership'.<sup>28</sup> These ties are akin to the Closer Economic Relations and intimate security ties between Australia and New Zealand. In an ever-more connected world, what happens in and around the waters of Southeast Asia is of material consequence to Australia's security and prosperity.

<sup>28</sup> Department of Foreign Affairs and Trade, 'Joint Announcement: Australia-Singapore Comprehensive Strategic Partnership', 6 May 2016, <dfat.gov.au/geo/singapore/Pages/joint-announcement-australia-singapore-comprehensive-strategic-partnership.aspx> [Accessed 1 February 2017].

Like Australia, Singapore has a long history of seeking to balance geostrategic interests in the region by maintaining a close relationship with the United States, while also seeking to improve its relationship with China. In late 2016 China seized Singaporean Terrex armoured vehicles in transit from being used on exercises in Taiwan. They were later released, but there is understandable conjecture as to China's motives. The pressure on Singapore is particularly concerning officials in light of Singapore's outspoken stance over China's actions in the South China Sea and support for a beefed-up US presence in the region.<sup>29</sup> The implications have yet to be fathomed fully, but what seems self-evident is that, effectively, China has put Singapore on notice.

### **Five Power Defence Arrangements**

Militarily, Australia has been extensively engaged in the region for generations. Despite the withdrawal of Australian combat forces from Vietnam in 1971, Australia remained militarily engaged in Southeast Asia through a number of forums, most notably the Five Power Defence Arrangements or FPDA. This apparent relic of empire has been a remarkably enduring institution. Established in 1971 as Britain was withdrawing from east of Suez, the FPDA provided for the Commonwealth countries of Australia, New Zealand and the United Kingdom to remain engaged with Malaysia and Singapore. Established at the height of the Cold War, and when fears over Indonesian intransigence had yet to settle following the end of *Konfrontasi*, the FPDA adapted to its circumstances over time. FPDA has provided Australia a military footprint in Southeast Asia most visibly with the rotational presence of Royal Australian Air Force fighter jets and maritime patrol aircraft.<sup>30</sup> That presence has facilitated close engagement with the Royal Malaysian Air Force, including for routine surveillance flights in and around the South China Sea—an activity that predates the end of the Cold War and the recent rise in tensions.

### **Canada**

Another Asia-Pacific Commonwealth power worth considering is Canada. In *Facing West Facing North*, the authors observed that there was a challenge and an opportunity for Canada to revitalise its west coast security links with other Asia-Pacific countries. The paper observed that developments in the AsiaPacific provide opportunities for increased collaboration between countries like Canada and Australia. Non-traditional security threats, including natural disasters, climate change, food security and cyber security,

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<sup>29</sup> Stephan Ortman, 'China's Seizure of Singaporean Tanks', *APPS Policy Forum*, 2 December 2016, <[www.policyforum.net/chinas-seizure-singaporean-tanks-no-reason-panic/](http://www.policyforum.net/chinas-seizure-singaporean-tanks-no-reason-panic/)> [Accessed 8 February 2017].

<sup>30</sup> For an excellent overview of the FPDA a work see Ian Storey, Ralf Emmers and Daljit Singh (eds), *Five Power Defence Arrangements at Forty* (Singapore: Institute of Southeast Asian Studies, 2011). See also Blaxland, 'Australia, Indonesia and Southeast Asia', pp. 107-39.

point to a range of areas where the two countries can work more closely together. The report contained several policy recommendations for Canada and Australia to: strengthen regional security, bolster regional governance mechanisms, enhance bilateral defence cooperation and boost defence industry and economic cooperation. This report should be re-examined and its recommendations for closer collaboration between Australia and Canada reinvigorated.<sup>31</sup>

## **A Contested South China Sea**

So far, the focus in this article has been on bilateral security relations. Yet there is one issue that affects a number of neighbours and engenders considerable debate over whether it is best addressed bilaterally or multilaterally. That issue concerns the rights and privileges of claimants and users of the South China Sea.

Security ties are important but trade is a major driver of international relations. The combination of trade ties with ASEAN and the countries of Northeast Asia cumulatively make the South China Sea transit routes more significant than ever for the future prosperity of many countries including Australia. Ensuring that freedom of navigation has long been an important part of the job for Australia's navy and air force.

Historically, however, Australia has studiously avoided taking sides on the numerous territorial disputes affecting the South China Sea. It has done so while seeing its strategic interests as being linked to preventing the intrusion by a major Asian power into maritime Southeast Asia and preventing the domination of Asia by any major power other than the United States.<sup>32</sup>

The mid-2016 Arbitral Tribunal's ruling on the South China Sea upheld this view and the rights of ASEAN claimants to their Exclusive Economic Zones, declaring China's Nine-Dash Line claims had no legal basis. The Tribunal stipulated that, for the purposes of Article 121 of the UN Convention on the Law of the Sea, a number of the occupied "rocks" in the South China Sea do in fact generate an entitlement to a 12 nautical mile territorial sea.<sup>33</sup> However, at the same time several low tide elevations do not.<sup>34</sup> China may

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<sup>31</sup> See John Blaxland, *Strategic Cousins: Australian and Canadian Expeditionary Forces and the British and American Empires* (Montreal: McGill-Queens University Press, 2006); and Leonard Edwards and Peter Jennings, *Facing West, Facing North: Canada and Australia in East Asia*, (Canberra: Australian Strategic Policy Institute and the Centre for International Governance Innovation, 20 February 2014), <[www.aspi.org.au/publications/facing-west,-facing-north-canada-and-australia-in-east-asia](http://www.aspi.org.au/publications/facing-west,-facing-north-canada-and-australia-in-east-asia)> [Accessed 3 February 2017].

<sup>32</sup> See Department of Defence, *Defence 2000: Our Future Defence Force* (Canberra: Commonwealth of Australia, 2000), Chapter 4.

<sup>33</sup> Scarborough Shoal, Cuarteron Reef, Fiery Cross Reef, Gaven Reef (North), McKennan Reef, Itu Aba, West York, Spratly Island, South-West Cay and North-East Cay.

<sup>34</sup> Hughes Reef, Gaven Reef (South), Subi Reef, Mischief Reef and Second Thomas Shoal. See Permanent Court of Arbitration, 'PCA Press Release: The South China Sea Arbitration (The Republic of the Philippines v. The People's Republic of China)', 12 July 2016, <[pca-](http://pca-)

continue to reject this ruling, but other states see it as providing an important clarification. Australian maritime and air transits are undertaken cognisant of this ruling.

Despite the Arbitral Tribunal's ruling, the Southeast Asian countries that have been most outspoken in criticism over China's maritime expansion have softened their stances in the absence of robust regional (ASEAN) or American support for their positions. Even the contested Philippines claims in the South China Sea are not subject to such an American security guarantee.<sup>35</sup> With so much uncertainty, Philippines President Rodrigo Duterte has undertaken a remarkable and vertigo inducing diplomatic about face over its South China Sea dispute with China. Following an extraordinarily favourable legal outcome announced by the arbitral tribunal in mid-2016 Duterte effectively discarded this advantage as a bargaining chip in negotiations with China over access rights to Scarborough Shoal and elsewhere in the country's Exclusive Economic Zone. The change in posture leaves neighbouring countries, including Australia, uncertain—even wary—over whether the future of the Philippines's security prospects are principally as an American ally or Chinese partner.

During President Obama's presidency, however, with draining and distracting military commitments in the Middle East, the United States had little opportunity to muster regional support to inhibit China's industrial-scale island building program there. Thus, by the end of Obama's presidency, China had its installations to the point where effectively they were widely seen as militarised.<sup>36</sup> Short of a major conflagration, there is little anyone can do to reverse the effect of China's extraordinary and unprecedented constructions—and that is an option no sensible commentator is entertaining. Effectively, the new islands have enabled China to dominate the South China Sea and, slowly but surely, to exercise greater control over the area inside the Nine-Dash Line.

China's actions have left many unsettled. China has ignored the verdict and is backing its claims with military and paramilitary power, effectively seeing possession as 'nine-tenths of the law'. It has built entire islands where there once were only rocks or shoals. In addition, and to the irritation of regional leaders, China is policing the waters with white-painted coast guard and fisheries so-called "law enforcement" vessels, as well as armed and

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[cpa.org/en/news/pca-press-release-the-south-china-sea-arbitration-the-republic-of-the-philippines-v-the-peoples-republic-of-china/](http://cpa.org/en/news/pca-press-release-the-south-china-sea-arbitration-the-republic-of-the-philippines-v-the-peoples-republic-of-china/) [Accessed 1 February 2017].

<sup>35</sup> Bonnie S. Glasser, 'Armed Clash in the South China Sea', Contingency Planning Memorandum No. 14, Council on Foreign Relations, April 2012, <[www.cfr.org/asia-and-pacific/armed-clash-south-china-sea/p27883](http://www.cfr.org/asia-and-pacific/armed-clash-south-china-sea/p27883)> [Accessed 3 February 2017].

<sup>36</sup> This has been convincingly demonstrated in the reports published by the Asia Maritime Transparency Initiative such as 'China's New Spratly Island Defenses', Centre for Strategic and International Studies, 2016, at <[amti.csis.org/](http://amti.csis.org/)> [Accessed 3 February 2017].

organised fishing fleets.<sup>37</sup> China appears to have militarised its positions in the Spratly Islands, having constructed military grade runways and aprons capable of accommodating large numbers of combat aircraft.<sup>38</sup> While others have acted similarly, China has done so on a far greater scale than any others, intimidating many along the way.<sup>39</sup>

There are indications China plans to build on Scarborough Shoal. Such a move would give China a dominant position well within the Philippines Exclusive Economic Zone and relatively close to the capital, Manila. If construction proceeds, it would also put Chinese fighter jets and missiles within easy striking distance of US forces stationed in the Philippines.<sup>40</sup>

### **Australia's American Alliance under Pressure**

With growing concerns about the prospects of a military clash, a number of Australian former politicians, bureaucrats and diplomats have criticised what they describe as a “military/security takeover of Australia's foreign policy”. According to this view, Australia's engagement in the Middle East has distracted Australia's attention from regional priorities and sidelined the Department of Foreign Affairs.<sup>41</sup> Indeed, Australia's focus on the Middle East has come at the expense of its military connections closer to home as Australia's best and brightest have over the last fifteen years vied for operational military appointments in the Middle East.<sup>42</sup> No doubt, US pressure will continue for Australia to remain and even increase its military presence there. However, there is a diminishing requirement for Australia's presence and increasing uncertainty over what will emerge between the United States, Russia, Turkey and Iran over the spoils of Iraq and Syria.<sup>43</sup>

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<sup>37</sup> See 'Are Maritime Law Enforcement Forces Destabilizing Asia?', Center for Strategic & International Studies, <[chinapower.csis.org/maritime-forces-destabilizing-asia/](http://chinapower.csis.org/maritime-forces-destabilizing-asia/)> [Accessed 3 February 2017].

<sup>38</sup> See Chris Buckley, 'China Suggests It Has Placed Weapons on Disputed Spratly Islands in South China Sea', *The New York Times*, 15 December 2016, <[www.nytimes.com/2016/12/15/world/asia/china-spratly-islands.html?\\_r=0](http://www.nytimes.com/2016/12/15/world/asia/china-spratly-islands.html?_r=0)> [Accessed on 2 February 2017].

<sup>39</sup> Greg Torode, 'Chinese Coast Guard Involved in Most South China Sea Clashes: Research', *Reuters*, 27 September 2016, <[www.reuters.com/article/us-southchinasea-china-coastguard-idUSKCN11C2LA](http://www.reuters.com/article/us-southchinasea-china-coastguard-idUSKCN11C2LA)> [Accessed 3 February 2017].

<sup>40</sup> 'China Likely to Build More Islands in South China Sea: Philippines', *The Straits Times*, 7 February 2017, <[www.straitstimes.com/asia/se-asia/china-likely-to-build-more-islands-in-south-china-sea-philippines?utm\\_content=bufferf39d9&utm\\_medium=social&utm\\_source=twitter.com&utm\\_campaign=buffer](http://www.straitstimes.com/asia/se-asia/china-likely-to-build-more-islands-in-south-china-sea-philippines?utm_content=bufferf39d9&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer)> [Accessed 8 February 2017].

<sup>41</sup> See, for instance, John Menadue, 'Military/Security Takeover of Australia's Foreign Policy', *John Menadue—Pearls and Irritations*, <[johnmenadue.com/blog/?p=7087](http://johnmenadue.com/blog/?p=7087)> [Accessed 2 February 2017].

<sup>42</sup> See John Blaxland, 'Middle Eastern Military Campaigns Undermine Our Regional Ties', *The Sydney Morning Herald*, 28 October 2014, <[www.smh.com.au/national/middle-eastern-military-campaigns-undermine-our-regional-ties-20141025-119qwc.html](http://www.smh.com.au/national/middle-eastern-military-campaigns-undermine-our-regional-ties-20141025-119qwc.html)> [Accessed 4 February 2017].

<sup>43</sup> See for instance, Jamsheed K Choksy and Carol E. B. Choksy, 'Trump's Real Challenge in the Middle East: Don't Follow Russia and Iran', *World Politics Review*, 6 January 2017, <[www.worldpoliticsreview.com/articles/20843/trump-s-real-challenge-in-the-middle-east-don-t-follow-russia-and-iran](http://www.worldpoliticsreview.com/articles/20843/trump-s-real-challenge-in-the-middle-east-don-t-follow-russia-and-iran)> [Accessed 4 February 2017].

Without a dramatic increase in defence spending Australia has to choose where its priorities lie. In addition, with greater uncertainty in the neighbourhood, there is a case to be made for Australia to decline further invitations to expand its military presence in the Middle East and plan to wind back, incrementally at least, its role there, to allow greater focus on fostering ties and bolstering stability in Australia's neighbourhood.

Seeing events in the Middle East and elsewhere, former Secretary of the Department of Prime Minister and Cabinet, John Menadue, argues, "Our 'foreign policy' has been taken over by the defence, security and military clique".<sup>44</sup> Former Prime Minister Paul Keating similarly has called for Australia to "cut the tag" from US foreign policy.<sup>45</sup> Penny Wong similarly has described the US-Australia relationship as being at a "change point".<sup>46</sup> Greens leader Richard Di Natale, not wanting to be left out, also has pitched in calling for Australia to "junk" the alliance following Trump's call for an immigration ban.<sup>47</sup> Yet there are a number of well-placed observers that take issue with this harsh denunciation of the impact of the US alliance and it is to these we now turn.

Despite rhetorical criticism of Australia's purported blind allegiance to the United States, it is more accurate to observe that Australia acts, largely as an independent player, albeit with the weight of the alliance hanging on its shoulders. Since leaving office, former Secretary of the Department of Foreign Affairs and Trade, Peter Varghese, for instance, has been strident on this point, arguing the idea that Australia does not have an independent foreign policy is phoney and nonsensical; although he admits it is becoming harder to balance the relationships with China and the United States.<sup>48</sup> He nonetheless has dismissed Malcolm Fraser's thesis of strategic dependence and of the United States being a dangerous ally—admittedly, this came before Trump's inauguration.<sup>49</sup>

Associate Professor Brendan Taylor has made the point that the US alliance does not prevent Australia from pursuing its interests independently.

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<sup>44</sup> Menadue, 'Military/Security Takeover of Australia's Foreign Policy'.

<sup>45</sup> Leigh Sales and Myles Wearing, 'Paul Keating Says Australia Should "Cut the Tag" with American Foreign Policy', ABC News 7:30 Report, 11 November 2016, <[www.abc.net.au/news/2016-11-10/keating-on-american-foreign-policy-after-trump-victory/8015028](http://www.abc.net.au/news/2016-11-10/keating-on-american-foreign-policy-after-trump-victory/8015028)> [Accessed 7 February 2017].

<sup>46</sup> Peter Hartcher, 'Donald Trump Presidency Should Force Rethink of US Alliance, Says ALP's Penny Wong', *The Sydney Morning Herald*, 16 November 2016, <[www.smh.com.au/federal-politics/political-news/donald-trump-presidency-should-force-rethink-of-us-alliance-says-alps-penny-wong-20161115-gspvom.html](http://www.smh.com.au/federal-politics/political-news/donald-trump-presidency-should-force-rethink-of-us-alliance-says-alps-penny-wong-20161115-gspvom.html)> [Accessed 7 February 2017].

<sup>47</sup> Pia Akerman, 'Trump Executive Order: Greens Call for Australia to 'Junk' US Alliance', *The Australian*, 30 January 2017.

<sup>48</sup> Peter Varghese, Address at the Australian Institute of International Affairs conference, Canberra, 20 November 2016.

<sup>49</sup> See Malcolm Fraser with Cain Roberts, *Dangerous Allies* (Carlton, Vic.: Melbourne University Press, 2014); and Varghese, Address at the Australian Institute of International Affairs conference.

Australia, for instance, has plenty of latitude on trade and regional negotiations, having initiated engagement with APEC, the TPP and the East Asia Summit without US endorsement and even, at times, US chagrin. He further argues regional security alliance alternatives potentially would stoke instability and risk entanglement in a major power conflict. He argues, therefore, that the only genuine strategic alternative to the American alliance is for Australia to undertake its own major military build-up. Taylor makes clear: "This option is not pretty".<sup>50</sup>

Emeritus Professor Paul Dibb has argued such a build-up would be prohibitively expensive—approximating an extra \$70 to \$100 billion on defence per year. Australia, therefore, remains, as the strategic intellectual Coral Bell wrote in the late 1980s, a "Dependent Ally".<sup>51</sup> Dibb further argued that it would be prudent to revisit the assumptions that Australia should be more self-reliant. That does not mean aiming for defence self-sufficiency, he argues, especially as most of Australia's advanced military equipment comes from the United States. But we should start planning to expand our forces.<sup>52</sup>

Even Professor Hugh White has been careful not to endorse Fraser's views on the alliance, claiming Fraser "overstates his case for abandonment". For White, "Fraser's dark view of America leads him to overlook the chance that America might be brought to accept the need for accommodation with China as the basis for a long-term stable relationship". In addition, Fraser's rosy view of China leads him to overlook the value to Australia of keeping the United States engaged in Asia to balance and limit China's power. The best outcome for Australia, therefore, White argues,

would be an Asia in which America concedes to China enough strategic space to satisfy China's legitimate ambitions, and at the same time imposes firm enough limits to deter China from pushing for more.<sup>53</sup> In that Asia, Australia could happily remain a US ally, to our great benefit.

The devil, of course, is in the detail in how to make that happen—especially as much of that strategic space has already been taken up physically with the recent island building.

On balance, most officials in the national security and foreign policy domain would acknowledge that Australia ultimately must make its own way through supporting and reinforcing a rules based international system. This means

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<sup>50</sup> Brendan Taylor, 'Why Australia's Defence Capability without ANZUS is Greatly Overrated', *Australian Financial Review*, 6 February 2017, <[www.afr.com/opinion/why-australias-defence-capability-without-anzus-is-greatly-overrated-20170205-gu5rpq](http://www.afr.com/opinion/why-australias-defence-capability-without-anzus-is-greatly-overrated-20170205-gu5rpq)> [Accessed on 6 February 2017].

<sup>51</sup> Ibid.

<sup>52</sup> Paul Dibb, 'A Strong Defence Force Makes Sound Sense in Uncertain Times', *The Australian*, 7 February 2017.

<sup>53</sup> Hugh White, 'Strategic Overreach', book review, US Studies Centre, <[www.ussc.edu.au/analysis/strategic-overreach](http://www.ussc.edu.au/analysis/strategic-overreach)> [Accessed 3 February 2017].

building on the numerous longstanding and emerging regional arrangements mentioned so far, as well as on the significant investment in the bilateral relationship with the United States.

### **Weighing up the Alliance's Benefits**

As Australia sets out to make its own way in a manner building on existing relations, it needs to be particularly mindful of the nature of, and Australia's extensive investment in, its American Alliance. In *Australia's American Alliance*, several strategic and defence studies scholars undertook an in-depth overview, drawing out key insights into the past, present and future of the alliance in an increasingly complex world. We examined its role in Australian and US strategic policy and the mechanics of alliance cooperation: including intimate intelligence ties, closely integrated logistics, and access to global broadband communications and other advanced technology and platforms. We also examined strategic trade-offs and benefits from cooperation over capability development. What we found was a breadth and depth to the bilateral ties that most people do not realise. Reflecting an investment that spans generations, Australia today has a highly capable, sophisticated and versatile but small defence force that is able to respond rapidly to a wide range of contingencies. This is possible to a considerable degree due to Australia's close collaboration with US counterparts.<sup>54</sup> As Robert Garran observed, "the alliance has significant practical benefits, especially in the support it provides for Australia's military and intelligence capabilities".<sup>55</sup>

Indeed, Australia has structured its defence force essentially as a boutique force, with a pocket-sized army and small but highly capable fleets of aircraft, ships and submarines deemed to be 'self-reliant' but only really capable of independently addressing limited contingencies in its near abroad. Australia's three-brigade regular Army force (that is one division's worth of troops) is very different from the fourteen-division army that Australia fielded at the height of the Second World War, let alone the 300,000-strong army of neighbouring Indonesia. This boutique approach is premised on the expectation that the United States could be relied upon for more significant and threatening contingencies that might emerge in future. In return, Australia has made niche and calibrated contributions as an alliance partner further afield, particularly in the Middle East.<sup>56</sup>

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<sup>54</sup> Peter J. Dean, Stephan Frühling and Brendan Taylor (eds), *Australia's American Alliance* (Carlton, Vic.: Melbourne University Publishing, 2016).

<sup>55</sup> Robert Garran, 'Asia Will Be the Testing Ground for the Australia-US Alliance', *the interpreter*, The Lowy institute, 1 February 2017, <[www.loyyinstitute.org/the-interpreter/asia-will-be-testing-ground-australia-us-alliance](http://www.loyyinstitute.org/the-interpreter/asia-will-be-testing-ground-australia-us-alliance)> [Accessed 2 February 2017].

<sup>56</sup> See John Blaxland, 'The Army and Government Objectives', in Tom Frame and Albert Palazzo (eds), *On Ops: Lessons and Challenges for the Australian Army Since East Timor* (Sydney: NewSouth Publishing, 2016).

Defence Secretary Dennis Richardson, when launching *Australia's American Alliance* shortly after Trump's victory in late 2016, declared that those who believe in the value of the alliance "must be prepared to engage in the debate and to make the case. Perhaps more so than at any time over the past 70 years, this is one of those times." Richardson observed that "We will make a big mistake if we allow the alliance to be held hostage to the perceptions of the success or otherwise of one administration or of one person".<sup>57</sup> His message pointed to the enormous investment in the bilateral relationship made by Australia over generations and of the reasoning for keeping a longer-term perspective in mind rather than let Australia's long-term national interests be thrown off course by Trump's extraordinary short-term actions.

Australian politicians recognise that the Australian American Alliance is about shared national interests, yet their public declarations almost invariably focus on the idea of shared or common values. After all, Australia, like the United States, sees itself as a predominantly 'Anglo-Saxon' country devoted to the same values of liberty, rule of law and democracy.<sup>58</sup> Both Australia and the United States are English-speaking, New World melting pots populated mostly by migrants. Commonalities in culture, language and security ties are compelling and enduring. That commonality is particularly evident when witnessing Australian and American forces work together. Those who wish to walk away from that should weigh carefully the consequences on Australia's defence capabilities. Yet, the Trump administration's focus "only on America first", with its emphasis on a transactional approach to national interests above all else, has weakened the strength of the argument about shared values.<sup>59</sup>

James Curran, in his paper entitled *Fighting with America*, written just before Trump's ascension to power, observed that the intensity in Australia-US relations led Australians to forget periods of past disagreements. He argued that, as the alliance becomes focused more on Asia, then Australian and US interests may diverge as much as they may coincide and, under certain circumstances, Australia may need to say "no" to the United States. Furthermore, he argues, doing so would not rupture the alliance.<sup>60</sup> Perhaps

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<sup>57</sup> Karen Middleton, 'How Will Trump's US Act in Asia?', *The Saturday Paper*, 26 November 2016, <[www.thesaturdaypaper.com.au/2016/11/26/how-will-trumps-us-act-asia/14800788004017](http://www.thesaturdaypaper.com.au/2016/11/26/how-will-trumps-us-act-asia/14800788004017)> [Accessed 2 February 2017].

<sup>58</sup> Dean, Frühling and Taylor, *Australia's American Alliance*, p. 2.

<sup>59</sup> See Colin Kahl and Hal Brands, 'Trump's Grand Strategic Train Wreck', *Foreign Policy*, 31 January 2017, <[foreignpolicy.com/2017/01/31/trumps-grand-strategic-train-wreck/?utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=FP&utm\\_term=Flashpoints](http://foreignpolicy.com/2017/01/31/trumps-grand-strategic-train-wreck/?utm_source=Sailthru&utm_medium=email&utm_campaign=FP&utm_term=Flashpoints)> [Accessed 2 February 2017].

<sup>60</sup> James Curran, *Fighting with America*, Lowy institute, December 2016.

his boldness and confidence in his judgements speaks to a pre-Trump era optimism about the strength of the relationship.<sup>61</sup>

Conversely, the United States would need to weigh up the consequences of further brash acts in light of the increasing significance of Australia to the US presence in Asia. America's presence in the Joint Defence Facilities at Pine Gap and the US Marine presence in Darwin being symptomatic of their investment in a two-way relationship.

Nonetheless, national security pundits, with occasional exceptions, still reckon that Australia's national interests closely align with those of the United States.<sup>62</sup> The defence benefits, which are said to accrue from the bilateral ties, amount, in effect, to a saving of about an additional 2 per cent of GDP. That is, tens of billions of dollars per annum that would have to be expended to gain an equivalent independent capability. That figure likely would be even higher if the costs of an independent nuclear weapons capability are included. Australians have taken this for granted since they walked away from the British Atomic tests in the mid-1950s in favour of a virtual American nuclear guarantee.<sup>63</sup>

One of the more outspoken defenders of this view, Ross Babbage, proposed in 2008 that Australia should develop the capacity, with dozens of submarines and hundreds of fighter aircraft, to "rip the arm off" a major Asian power. His idea was to be capable of imposing costs on a major adversary that outweighed any possible benefit from attacking Australia.<sup>64</sup> Such an approach undoubtedly would cost an additional 2 per cent of GDP at least. But it is hard to conceive of this cost being bearable politically. In the absence of such a surge in defence expenditure, however, senior officials remain convinced Australia should remain closely aligned with the United States.

In his recent paper entitled *Countering China's Adventurism in the South China Sea* Babbage reveals a more comprehensive and nuanced appreciation of the extent of the challenge. He examines how the United States and its close regional allies (primarily Japan and Australia) can

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<sup>61</sup> Greg Miller and Philip Rucker, 'No "G'day, Mate": On Call with Australian Prime Minister, Trump Badgers and Brags', *The Washington Post*, 1 February 2017, <[www.washingtonpost.com/world/national-security/no-gday-mate-on-call-with-australian-pm-trump-badgers-and-brags/2017/02/01/88a3bfb0-e8bf-11e6-80c2-30e57e57e05d\\_story.html?tid=sm\\_tw&utm\\_term=.b2de7f5b7dd2](http://www.washingtonpost.com/world/national-security/no-gday-mate-on-call-with-australian-pm-trump-badgers-and-brags/2017/02/01/88a3bfb0-e8bf-11e6-80c2-30e57e57e05d_story.html?tid=sm_tw&utm_term=.b2de7f5b7dd2)> [Accessed 2 February 2017].

<sup>62</sup> In essence, this is the view of the heads of the National Security College, and the Australian Strategic Policy Institute as well as a number, but not all, of the academics at the Strategic and Defence Studies Centre at the Australian National University.

<sup>63</sup> See Wayne Reynolds, *Australia's Bid for the Atomic Bomb* (Carlton, Vic.: Melbourne University Press, 2000).

<sup>64</sup> Ross Babbage, 'Learning to Walk Amongst Giants: The New Defence White Paper', *Security Challenges*, vol. 4 no. 1 (2008), pp. 13-20, <[www.regionalsecurity.org.au/Resources/Files/vol4no1Babbage.pdf](http://www.regionalsecurity.org.au/Resources/Files/vol4no1Babbage.pdf)> [Accessed 3 February 2017].

“thwart Beijing’s expansionism in the South China Sea and deter further Chinese adventurism”. Babbage sees China as a revisionist state with a strategy “to push Western forces and strategic influence out of the South China Sea and most of the Western Pacific”. The evidence in support of this view is mounting. To advance these goals, he notes, the Chinese leadership has “marshalled a broad range of political, economic, information, and military resources”. By taking incremental steps that fall below the threshold that would trigger a forceful military response, he points out, Beijing has made substantial progress towards achieving its goals.<sup>65</sup>

Babbage’s assessment suggests the ancient Chinese strategist Sun Tzu appears alive and well in the minds of China’s leadership today. Sun Tzu is best known for his famous dictum: “the acme of skill is to defeat one’s enemy without fighting”. China’s incremental and calibrated approach to asserting and possessing its claims in the South China Sea is proving very effective. It presents a difficult conundrum for the United States and other nations concerned to stem China’s apparently relentless advance without precipitating a major conflagration.

Mindful of this risk, Babbage proposes several sensible but difficult to implement measures to implement his chosen strategy, extending beyond the diplomatic and military domains to include “geo-strategic, information, economic, financial, immigration, legal, and counter-leadership measures”. The most effective allied campaigns, he argues, will likely combine a carefully calibrated mix of measures that can be sustained by the allies and their friends over an extended period. Some of these measures would comprise declaratory policies designed to deter Chinese actions, give confidence to allies and friends, and shape the broader operating environment. Other measures would be classified, designed in part to keep the Chinese off-balance and encourage greater caution in Beijing.<sup>66</sup>

## **A Way Forward for Australia**

On balance, most Australians recognise that Australia’s interest are served best by the orderly negotiation of an arrangement aimed at short-circuiting the growth of strategic competition between major powers. Yet China and the United States appear unprepared to make the necessary concessions. China’s incremental approach so far has proven effective at seizing and holding claims, albeit at the expense of regional goodwill.

In practical terms as Australia considers the situation in the South China Sea today, the government recognises that there is little prospect, short of war, in

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<sup>65</sup> Ross Babbage, *Countering China’s Adventurism in the South China Sea: Strategy Options for the Trump Administration* (Washington, DC: Center for Strategic and Budgetary Assessments, 2016), <[csbaonline.org/research/publications/countering-chinas-adventurism-in-the-south-china-sea-strategy-options-for-t](http://csbaonline.org/research/publications/countering-chinas-adventurism-in-the-south-china-sea-strategy-options-for-t)> [Accessed on 2 February 2017].

<sup>66</sup> Ibid.

undoing China's achievements there. What is possible, drawing on some of Babbage's ideas, is communicating to China, alongside regional security partners and the United States that no further Chinese expansion there will be accepted. Above all, a Chinese move to exclude the naval and air forces of contiguous states and their security partners from their own territorial waters and exclusive economic zones must be respectfully but firmly resisted. Even then, such a move only makes sense if the affected Southeast Asian states themselves take the lead in calling for such a collective response.

China has experienced its century of humiliation and its rise this century points to a future of which China can be immensely proud. But recovering from that does not mean the South China Sea's contiguous states and the world's principal security guarantor need to be subject to a commensurate humiliation either. There is a fine line to be drawn.

Indeed, there is a broad consensus, I would argue, within Australia's national security apparatus that the best way for Australia to influence events and avoid the prospects of escalation is to remain a trusted and close partner of the United States, able to share its views frankly and firmly. At the same time, Australia must work to assist the United States recognise peacefully the limits to its power and influence without triggering a more isolationist impulse.

Meanwhile, Australia must continue to engage with China constructively, respectfully and with an open hand, with a view to more fully understand China's intentions and to encourage a mutually beneficial accommodation. Relationships with Japan, India and Canada should be fostered and expanded, consistent with the level of interest and enthusiasm shown by those respective countries in collaborating more closely with Australia. At the same time, caution should be exercised about making security commitments that may unduly constrict Australia's policy options in future.

Closer to home, Australia concurrently also must bolster regional security ties with traditional partners in ASEAN—particularly including Singapore, Indonesia and Malaysia—perhaps also in a sweetened sub-regional arrangement we could call MANIS.

*Manis* is the Bahasa Indonesia and Malay word for 'sweet'. It also could symbolise a grouping of maritime partners on the southern edge of Southeast Asia: Malaysia, Australia, New Zealand, Indonesia and Singapore. Australia has invested over decades in a range of regional bilateral and multilateral arrangements. Most of which have failed to live up to expectations. Progress on important regional issues is glacial in large part because of consensus driven constraints. The unwieldiness of larger regional groupings point to the potential benefit that would accrue from a smaller, more focused regional grouping of countries. With so much

uncertainty and so many issues on which to collaborate, there may be utility in generating a sweeter deal for Australia and these neighbours. Existing forums continue to be important, but they often struggle reaching consensus and see only glacial progress on a range of issues.<sup>67</sup>

A MANIS regional maritime cooperation forum could address a range of shared concerns such as illegal fisheries, natural resources, smuggling and transnational crime. This would involve respectful, patient, collegial and yet determined engagement to sweeten regional ties, drawing in government agencies and non-government institutions.

In the absence of compelling alternative courses of action for Australia to take, the country must hold its nerve, engage with the respective parties and proceed, as if walking along a tightrope. That involves carefully balancing economic and security interests with the great powers, notably China and the United States, while maintaining a focus ahead on the goal of regional security and prosperity by engaging constructively and proactively in existing and potential regional, bilateral and multilateral relationships.

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<sup>67</sup> John Blaxland, 'MANIS: Time for a New Forum to Sweeten Regional Cooperation', *Centre of Gravity* series no. 26 (Canberra: Strategic and Defence Studies Centre, Australian National University, June 2016), <[sdsc.bellschool.anu.edu.au/sites/default/files/publications/attachments/2016-08/cog\\_26.pdf](http://sdsc.bellschool.anu.edu.au/sites/default/files/publications/attachments/2016-08/cog_26.pdf)> [Accessed 3 February 2016].