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Session II: Asia's China Strategy

A Perspective From Australia

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To determine which strategy might be the best choice for the countries of Asia as they cope with a rising China also invites a consideration of what we mean by strategy. And here much is owed to a certain Prussian philosopher of war, whose birthplace is less than 200 kilometres from this conference's location in Berlin. A modern extension of the logic presented by Clausewitz suggests that strategy is the marriage of the instruments of statecraft to our policy interests. This in turn requires us to identify the interests of the Asian powers as they develop their strategies for a rising China.

Australia is located on the southern edge of East Asia and therefore on the edge of the region most directly affected by China's rise. For the best part of more than a century, Australia's western allies, first Britain and more recently the United States, have enjoyed primacy in that region, but this situation is not guaranteed to last. It is therefore instructive to ask what Australia's interests might be in all of this, and how these interests ought then to be reflected in Australia's strategy. In a thought-provoking essay which juxtaposes Australian strategic policy against the regional transformation which is occurring in Asia thanks above all to China's growing influence, my colleague Hugh White has made the following observation: 'Those interests are reasonably clear. We want Asia to keep growing strongly, and for Australia to be part of that growth. And we want America to stay engaged in Asia, to prevent domination by China, but not in a way that forces us to choose between them, or inhibits Asia's economic growth.'²

While these comments are an elegant representation of Australian policy interests in the early part of the twenty-first century, they are a variety of a deeper, abiding Australian interest, which the reader can find later in the same article when White comments that 'China's rise may finally close the era of Western maritime domination of the Asia-Pacific region which began 500 years ago with Vasco de Gama.' He goes on to say that 'Australia as we know it is a product of that era.'³ But we may still not quite have located the essence of that Australian interest. This essence might be regarded as a favourable security order in Asia – which, among other things, allows Australia to exist in relative safety and freely pursue its other interests (including its economic prosperity which is now wound up so closely in the same region). The test now is whether there is an alternative version of a favourable security order – favourable, that is, for Australia – which does not rely on that western dominance. If not, Australia's core interests may be in for an interesting ride.

² Hugh White, 'The limits to optimism: Australia and the rise of China', *Australian Journal of International Affairs*, 59:4, December 2005, pp. 470-1.

³ White, p. 478.

This might appear an unnecessarily gloomy prognostication from the perspective of a country which has benefited so much from China's rise. In a speech delivered in July 2004, Australia's Ambassador to China, Alan Thomas, observed that: 'It is conceivable that China will overtake the United States and Japan and become our largest trading partner sometime in the next five to ten years.'⁴ He was wrong, China became Australia's leading trading partner within just three years. That growth has helped drive the Australian resources boom which funded tax cuts and, for a while at least, tempered the impact of international financial difficulties on Australia's economy (thus softening the slowdown which the new Rudd government has inherited). It led the government of former Prime Minister John Howard to speak of a 'strategic economic partnership' between China and Australia⁵. This economic factor is one reason (alongside Australia's proximity to Asia) why both Howard and Rudd governments have been more favourably inclined to China than has the United States, Australia's major ally across the Pacific Ocean.

Indeed most of Asia joins with Australia in benefiting from China's expanding economic fortunes. But we live in a world where relative gains can be more important in the long-term than absolute gains. And no country, including Australia, has benefited as much from China's rise as China itself. That economic expansion, coupled with some very adept diplomacy has been an essential foundation for China's rising political influence in Asia. With minimal costs to its own long-term interests, China has been able to talk the talk of ASEAN multilateralism at a time when western powers have lost patience with these slow processes: Beijing's adaptation of notions of 'harmony-with-difference' for its foreign policy has been especially consistent with the lowest common denominator spirit of the ASEAN way.⁶ Some Southeast Asian neighbours of Australia (including Singapore) seem concerned that Washington has missed too many of the opportunities provided by Southeast Asia's institutions to balance China's rising influence. The jealous guarding of the same mechanisms has meant a very cool response to the Rudd Government's proposal for an Asia-Pacific Community which is itself an attempt (however fumbling) to find ways to manage the changing power dynamics in Asia, although in naming Indonesia as one of the essential members of that community, the proposal has met with less resistance in at least one ASEAN capital.

⁴ H.E. Dr Alan Thomas, 'The Peaceful Rise of China: What Does it Mean for Australia and the Region?', Speech to the Asia-Link Centre, 27 July 2004.

⁵ See Roy Campbell McDowall, *The Strategic Depiction of China in Howard Government Policy from 1996-2006*, Canberra: Strategic and Defence Studies Centre, forthcoming.

⁶ See Jian Zhang, 'Building "a harmonious world"? Chinese perceptions of regional order and implications for Australia', Canberra: Australian Strategic Policy Institute, June 2007, p. 4.

That same economic dynamism on China's part is an essential foundation for the modernisation of the People's Liberation Army. While scholars will continue to argue that China's limited power-projection capabilities come from a low base, Beijing's aim is probably to impress strategic analysts in 2028 and 2038 rather than 2008: the eventual destination is more important than the point of departure. While the Pentagon's annual reports on China's military power, and Taiwan's infinite supply of think-tanks, have regularly drawn attention to the increasing array of short and intermediate range missiles assembled on China's eastern seaboard, Australian analysts are increasingly struck by the prospective growth in China's submarine fleet, one of the largest naval building programs which has been seen during peacetime. This has implications for developments well beyond the Taiwan Strait.

China's economic riches can also themselves produce some interesting challenges. It might be thought that China's demand for Australia's coal, gas and iron ore is a win-win proposition where more can only be better for both countries (if not for the environment). But the interest shown by Chinese state-owned enterprises in investing in Australia's mineral sector has raised concerns that China might gain too much sway over the supply and price of these commodities. At least in its early months in office, the Rudd government took a very cautious approach to a range of Chinese investment bids in Australian resource companies which reportedly amounted to more than A\$30billion.⁷

Since assuming office in late 2007 Mr Rudd has also taken a rather more measured stance on China than some might have expected. Having been an Australian diplomat posted to Beijing and as a fluent speaker of Mandarin, Mr Rudd's ascension was anticipated as an opportunity for an even closer Australian relationship with China. (A number of observers in Japan were especially concerned about this possibility). There is no doubt that Mr Rudd sees the rise of China as the most important trend in Australia's strategic landscape (with India's rise an important but secondary phenomenon). But he regards the maintenance of strong relations with the United States (which he calls Australia's 'great friend and ally') as an essential counterpart to an evolving relationship with China (one of Australia's 'great friends and partners'). On the first of his Prime Ministerial visits to Beijing, he used his Mandarin skills to raise uncomfortable questions about China's human rights record. During the visit of the Olympic torch relay to Canberra, which attracted a mix of supporters and protestors, he made it clear that Australian security officials had complete primacy

⁷ See 'Swan OKs China's Rio Tinto stake', *The Australian*, 25 August 2008. For the argument that Australia's resource sales to China is a source of leverage for Canberra, see Michael Wesley, 'Australia-China' in Brendan Taylor (ed), *Australia as an Asia-Pacific Regional Power*, London: Routledge, 2007, p. 77.

over their blue-tracksuited counterparts from China.⁸ Most recently, in his first major speech on the new government's defence policy, Rudd linked Australia's need for a capable defence force to concerns about the regional arms build-up which the economic expansion of the major Asian powers was stimulating. While he did not name those countries involved in the arms build-up per se, he let it be clearly known that China was first among those expanding economies.⁹

In other words Australia has been pushing back on a rising China to at least some degree – as well as embracing it.¹⁰ This might seem slightly at odds with the widely quoted remarks in 2006 by Dennis Richardson, Australia's Ambassador to the United States, that 'the question for Australia is not whether China's growth is innately good or bad. Australia made up its mind long ago that it was a good thing.'¹¹ But this comment might be seen as part of Canberra's attempts to demonstrate to Washington that China's rise could be seen in a more positive light.¹² In no sense should it imply that Australia would be happy if a stronger China was not accompanied by a strong US presence in the region. Indeed perhaps to assuage American concerns that Canberra may have fallen under Beijing's spell, the Howard government's *2007 Defence Update* adopted the line that 'the pace and scope' of China's 'military modernisation...could create misunderstandings and instability in the region.'¹³ Whether the Rudd government chooses such language in its forthcoming Defence White Paper (the first such document since 2000) will be intriguing to watch.

The conditionality in Australia's positive view of China also invites the comparison to hedging strategies. My colleague Brendan Taylor persuasively argues that in recent years Australia has been pursuing such a strategy which combines engagement with, and 'soft balancing' against, a rising China.¹⁴ This is how some scholars depict the strategies adopted by a number of Southeast Asian governments (and especially Singapore) as they deal with the changing power balance in Asia. The

⁸ See Robert Ayson and Brendan Taylor, 'Carrying China's Torch', *Survival*, 50:4, August-September 2008, p. 9.

⁹ See Kevin Rudd, Address to the RSL National Congress, Townsville, Australia, 9 September 2008, http://www.pm.gov.au/media/speech/2008/speech_0468.cfm

¹⁰ On this dual tendency, see Greg Sheridan, 'No pandering to China in PM's Asia Plan', *The Australian Literary Review*, 3:10, November 2008, pp. 6-8.

¹¹ Quoted in McDowall, p. 46.

¹² On Australia's need to 'change America's mind' on China, see White, p. 478.

¹³ See Australian Department of Defence, *Australia's National Security: A Defence Update, 2007*, p. 19.

¹⁴ Brendan Taylor, 'Multilateral Misperceptions? Regional Mechanisms and Sino-Australian Responses', Paper given to a joint Australian National University/China Institutes of Contemporary International Relations workshop on 'Sino-Australian Security Relations: Regional Cooperation in an Interdependent World', Beijing, 11-12 April 2007.

assessment is also similar to Mike Mochizuki's depiction of Japan's post-Cold War policy towards China as 'a mixed strategy of engagement and balancing'.¹⁵

A mixed strategy of this sort seems perfectly sensible for a region which regards China's rise as a mixture of opportunity and threat. It means not being caught out by naively believing that a China's rise must always be good news, and at the same time not getting into the business of self-fulfilling prophecies that containment strategies can sometimes become. We don't know, and China doesn't know, what it will look like as a fully mature great power, and what impact that will have on East Asia. And China would probably be surprised and even disappointed if at least a little bit of balancing was not occurring: the complete absence of such a response would suggest other powers believed that China's rise was not occurring, or that they regarded it as inconsequential.

But even if everyone in the region is adopting a hedging strategy towards China, (and most states might seem to be doing so), this does not mean a unified or cooperative approach is occurring in East Asia. First, hedging may be so ubiquitous as a foreign policy strategy that its existence does not mean we have really clarified what our strategy really consists of. Second, the split between engagement and balancing varies from country to country (and sometimes from government to government within a country) so that coordination is not always feasible. Third it may encourage us towards a confusing or counterproductive Jeckyll and Hyde approach to China when what we really want, and probably what China itself also needs, is an approach whereby we see at least some of the balancing occurring *within* the engagement. In other words an integrated rather than a mixed strategy.

Some of Australia's Southeast Asian friends and neighbours might suggest that balancing through engagement is a very nice way of summing up the contributions made by the multilateral processes centred around ASEAN. The ASEAN Regional Forum (ARF), the East Asian Summit, and ASEAN+3 each include at least some of the great powers. That the United States under the Bush Administration has not taken full advantage of its ARF opportunities is to its own detriment, this argument goes, because such forums bring the great powers together and allows their influences to be balanced in a much less obvious, divisive and crude fashion than rival alliances. If the United States wants to ensure that China does not dominate the region, one of its best bets is to take ASEAN's multilateralism more seriously. Japan obviously does because it worked hard to ensure that Australia, New Zealand and India were included

15 See Mike M. Mochizuki, 'Dealing with a Rising China', in Thomas U. Berger et al, (eds), *Japan in International Politics: The Foreign Policies of an Adaptive State*, Boulder: Lynne Rienner, 2007, pp. 230-1.

in the inaugural East Asian Summit, a less Asia-centric and China-centric mechanism than ASEAN+3.

While it received a decidedly cool reception in parts of Southeast Asia, Kevin Rudd's sketchy proposal for an Asia-Pacific Community bears some of the same thinking. The idea of a new *institution* soon became a *debate* the region needed to have and now seems to be just a suggested *conversation* as the Rudd government has diluted the rhetoric. While partly an initiative for the sake of an initiative, the Community proposal most probably reflected the view that East Asia needed a forum which (like APEC) suggested a "whole-of-region" approach, but which in reality would deal with great power issues in a changing regional balance more directly than existing bodies had been able to.

These aspirations are worthy, but East Asia is probably not at a stage where it can avoid mistaking a process designed to deal with an issue as a sign of real progress on it. The work required to establishing and nourish multilateral processes is easily mistaken for strategy – the instrument becomes an end in itself as the demands of keeping it afloat exhausts the available energy. (This can happen to alliances as well as more inclusive multilateral forums. At times it has also afflicted the Six Party Talks hosted by China). This is one reason why the idea of a *regional architecture* is a case of seeking to answer the wrong question. Getting that architecture right is not the secret to a favourable Asian security order.

The logical diagnosis for Asia is that it needs a genuine concert of powers who manage the region's major issues largely through concerted unilateralism (rather than formalised multilateralism). This could produce an Asian security order favourable to Australia because no one power would dominate the region and because serious competition and war *between* the great powers is also avoided. Above all this would help answer what Mr Rudd as Opposition Leader referred to as 'The central challenge for regional policy makers in the decades ahead...the maintenance of a positive relationship, based on constructive engagement, between China and the US'.¹⁶ This would be the combined strategy at work: balance through (rather than instead of) engagement.

But it is not clear that the great powers are ready for such a concert. Unless Asia receives the sort of shock that Napoleon's endeavours gave to early nineteenth century Europe, the great powers lack the overwhelming necessity for such a degree

¹⁶ Kevin Rudd, 'The Three Pillars: Our alliance with the US, Our membership of the UN, and Comprehensive engagement with Asia: A Foreign Policy Statement by the Australian Labor Party, October 2004, p. 66.

of concerted behaviour.¹⁷ Not all of them, if any, are ready for the concessions such a concert requires including the willingness to share power.¹⁸ And few of the region's medium and small powers seem willing to trust the great powers to get on with it. Some of these, including Australia, still want a seat at the big table, a step which might suit Canberra's own short-term foreign policy interests but dilute and complicate hopes for an effective concert. The ASEAN countries, fearful that such a concert would bypass them, want to be reassured that they are still firmly in 'the driver's seat'. If one or more Asian governments seriously proposed a concert in the current environment we would probably end up with a process and no real outcome, transfixed by the trappings of summitry. So while a genuine concert is desirable, it is far from the most likely outcome.

What then are some other approaches for Australia and its partners?¹⁹ One possibility might be described as a concert of Asia's medium powers²⁰ which is also free as far as possible from the constraints of formal multilateralism and which avoids the extremes of appeasement and containment. While it is always tempting for Australia to focus on its relations with the great powers, a good dose of concerted unilateralism among and between some of the medium players in Asia might be a useful notion to pursue. Candidates here might include Indonesia, Singapore, Korea and possibly Vietnam, alongside Australia itself.

This may seem an odd group, but most of these countries have sought or are seeking to occupy positions somewhere in the middle of the great power contest – between the United States and China in particular. Such an eclectic mix of medium powers might reduce concerns that some sort of maritime alliance was being considered. If that suspicion did form, it would be less significant than the concerns which were associated with the possibility of the Asian quad (when Japan's Prime Minister Shinzo Abe sought to bring together Japan, the United States, India and Australia, a prospect which Mr Rudd opposed when he was still in opposition, and which bears some resemblance to the League of Democracies concept championed more recently by Republican presidential candidate John McCain).

Yet it is difficult to come up with an obvious work program for the medium power concert. What could they achieve in their relations with China and the United States

¹⁷ For a very readable recent study which challenges the extent, or at least the longevity, of even that European concert, see Adam Zamoyski, *Rites of Peace: The Fall of Napoleon and the Congress of Vienna*, London: Harper Perennial, 2008.

¹⁸ See White, p. 475.

¹⁹ For perhaps the best treatment of Australia's options in a changing Asian strategic balance, albeit from an earlier period but with powerful parallels to today's challenges, see Hedley Bull, 'Options for Australia', in Gordon McCarthy (ed), *Foreign Policy for Australia: Choices for the Seventies*, Sydney: Angus and Robertson, 1973, pp. 137-183.

²⁰ The author is grateful for discussions with Brendan Taylor on this idea.

for example? Exactly what would they seek to manage? Could they encourage the growing involvement of other great powers in the region to provide additional ballast. The obvious example here is India which has already been developing stronger relations with a number of these medium powers. Might they take up issues which some of the great powers seem reluctant to countenance – including arms control in Asia?

Another possibility, although one far removed from Australia's traditional alliance preferences, would be for Canberra to seek out China as its next great and powerful friend. Both of Australia's major allies have been western powers. By contrast China is a decidedly non-western power with whom Australia has not always enjoyed positive relations. During an earlier period of not-too-distant history a quite different sort of rising China was perceived in Canberra. In 1954 Australia's External Affairs Minister R.G. Casey claimed that 'If the whole of Indo-China fell to the communists, Thailand would be gravely exposed. If Thailand were to fall, the road would be open to Malaya and Singapore. From the Malay peninsula, the communists could dominate the northern approaches to Australia and even cut our lifelines with Europe.'²¹ Hence China was a central factor in Australia's security fears during the early Cold War years in Asia.

Australia's views on China have enjoyed a remarkable transformation since the early 1970s. But one still needs to be fairly imaginative to locate the future moment when Australians begin to sleep easy because they know their security is guaranteed by China's capacity to project power (and perhaps, by China's extended nuclear deterrence). Imagination is also needed to identify the sort of shock in the system which would see Australia seeking China's assistance in the first place and which would transform China into a major provider of security. To some extent for parts of Southeast Asia, China has already achieved this in the economic realm thanks to its careful negotiation of the Asian financial crisis (and while it has been affected by the global financial crisis, its reduced rates of economic expansion still compare favourably to recession elsewhere). But translating the principle of China as benefactor into the strategic realm (and to Australia's security interests) remains a conceptual challenge.

One last possibility for Australia (and some of its colleagues in Asia) is almost the opposite of the preceding one. While stories of America's decline in Asia have often proved to be exaggerated (including fears of a post-Cold War security vacuum), there may now be a more realistic prospect of a significant lessening of America's regional influence and military presence over the coming generation. Some say this is already

²¹ Quoted in Lachlan Strahan, *Australia's China: Changing Perceptions From the 1990s to the 1990s*, Cambridge: Cambridge University Press, 1996, p. 161.

occurring. As this would be happening as China's star continues to rise, some US allies including Australia (and Japan) might be tempted to cling to their superpower protector even more strongly. This sets up a curious cycle: as the value of the existing alliance relationship diminishes (because what Washington can offer as an offshore balancer for Asia starts to slip), our sense of insecurity increases and so our need for the alliance increases as well. We want more of something which can help us less.

This seems an unlikely (although not impossible) prospect. It is a trap the Rudd government will probably avoid. But under almost any conceivable government in Canberra, Australia will find it difficult to relinquish its alliance addiction. Whether Australia can really envision a favourable security order in Asia without the availability of strong alliance relationships is difficult to tell. But this may be precisely the sort of vision that the changing strategic balance in Asia, driven above all by China's rise, may eventually require.