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Session II: Changing Policy Outlooks towards the Asia-Pacific: Other Powers Involved

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Power Shift: Rethinking Australia's Place in the Asian Century¹

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Since Richard Nixon went to China in 1972, Australia has enjoyed the longest period of prosperity and peace since the late Nineteenth Century. When peace lasts a long time like this, it becomes easy to take for granted. We see it as natural, indeed inevitable, that the misfortunes, mistakes, and malice that caused wars in earlier times could not recur now because the international system has evolved beyond such things. We find the idea of war - large-scale war directly affecting Australia - almost unimaginable. This affects our view of what foreign policy is about and why it matters. We come to believe that it is about maximising trade, expressing our values, and increasing our influence for its own sake.

This essay contests these assumptions. It argues that Asia's decades of peace have not resulted from fundamental and irreversible changes in the international system, but from the specific regional order which emerged in Asia as the Vietnam War ended. Now the circumstances which created and sustained that order are passing as China grows, and a new order will emerge. Its shape is still undefined, but it will quite probably be much less peaceful than the last few decades, and could pose very serious strategic risks to Australia. Australia's foreign policy faces a major challenge to find ways to manage and minimise these risks, and especially to avoid the more catastrophic ones. This will require us to think about foreign policy quite differently from the ways we have grown used to in recent decades. This in turn will require us to re-examine the basis of our relations with our region, and to reconsider the kind of role we want to play in it, and indeed the kind of country we are.

The Cold War ended in Asia when Nixon and Mao did their deal in Beijing: America would recognise the Communist Government in Beijing and in return China would cease to contest America's strategic leadership in Asia. Once Japan was reconciled to this startling development, American strategic primacy in Asia was, for the first time,

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uncontested by either of the major East Asian powers. All of them had to make real sacrifices to get to this point, but all stood to gain. China ceased to face pressure from the US, won US support against the Soviets and was assured that Japan would not return as a major power in its own right. Japan too won continued US support against the Soviets, and assurance about China. America found itself emerging from failure in Vietnam with a stronger position in Asia than it had ever enjoyed before. The rest of Asia benefitted too. Stable relations between the major powers provided the essential conditions for East Asia's remarkable development since Vietnam – its economic growth, political evolution, and regional integration.ⁱ It also provided the essential condition for Australia's enmeshment with Asia, because it allowed us to build close relations throughout the region while remaining a close US ally. It has been true, as our leaders have so often said, that we do not have to choose between Asia and America, but only because American power was accepted and welcomed throughout Asia.

Now however the foundations of Asia's post-Vietnam order are being eroded by its own success. The deal that built Asia's current order was based on calculations of relative power, and relative power is shifting very fast as China grows. China's is already the second largest economy in the world, bigger relative to America today than the Soviet Union ever was during the Cold War. If China grows for the next thirty years as it has for the last thirty, it will easily overtake America to become the largest economy in the world. That means simply that China no longer needs the US the way it did in 1972, and as it grows American power will increasingly constrain rather than help China's rise. China will want more power as its strength grows, and that means it will challenge America's primacy in Asia for the first time since 1972. In fact this has been happening already, and become much starker in the last year or two.ⁱⁱ

Australians have been in denial about this. We assume that we can continue to grow rich on China's economic rise while remaining secure thanks to America's domination of Asia. But if China grows fast enough to power our economy as we hope and expect, it will become too strong to fit into the old US-led order that has served us so well. Australian leaders started to realise this in the 1990s. John Howard quickly learned that to trade with China we would have to acknowledge its growing power. Behind his overt fealty to Washington he increasingly acknowledged China's growing strategic weight, blithely assuring Australians that they need not choose between America and China while in reality he was already starting to do so.ⁱⁱⁱ Kevin Rudd certainly understood the issue clearly, and seemed well-equipped to address it, but he did little but appeal to xenophobia by conjuring alarming images of a China threat, and propose the APc as forum to talk about it on the other.^{iv} Neither Julia

Gillard nor Tony Abbot seems to have given the issue any serious thought at all.^v They need to start thinking about it now. So do the rest of us.

The first step is to get clear about how serious the threat is to Asia's order. Will China keep growing? If it does, will it really challenge the *status quo*? And how would it exercise more power? Ever since China launched market-based growth thirty years ago, many people have believed that it cannot last, and they might yet prove to be right: China's rise is not inevitable. Many things could cause it sooner or later to slow, stop or go backwards, including environmental, demographic and institutional constraints, as well as social or political disruption. But as we assess these possibilities, it is worth remembering that there is nothing inherently unsustainable about China's economic trajectory. It is simply doing what many other countries have done before since the dawn of the industrial revolution – increasing per capita output by moving workers from low productivity jobs in semi-subsistence agriculture to higher-productivity jobs, mostly in manufacturing. The only difference in China's case is the scale. But scale makes all the difference, which is what makes China's economic transformation so important for the global distribution of power, and what makes it so credible that China's GDP will indeed overtake America's. Since 1880, no country has ever threatened America's position because no country with a population as big as America's – let alone bigger - has ever moved from semi-subsistence to industrial levels of productivity. The Soviet Union came closest, because its population was closest to America's, but its economic model failed. China poses the greatest challenge America has ever faced because its population is much bigger than America's and its economy works much better than the Soviet Union's did.

But can it keep working? For many people the biggest threat to China's rise is its political system. They argue that a Leninist political system has never sustained economic growth before and - despite thirty years of growth so far - China will in the long run be no different. Perhaps that is right, but no Leninist state before now has been legitimised by sustained economic growth, so maybe China will prove the exception. Alternatively, perhaps China will change politically, and keep growing anyway. China's political system could easily evolve while its economy keeps growing, as many other countries' have. Either way, those who assume that a thirst for democracy will stop China's economy may be disappointed.

China's economic rise will give it more strategic and political weight; but what will China want to do with it? Since its humiliation at the hands of the West in the Nineteenth century, China has strived to become – or become again – 'wealthy and strong', and we can assume that now, as its wealth returns, it will want to exercise

commensurate power too. Not only will China's leaders want this; its people will too. Moreover there is no reason why they should not; there is nothing inherently illegitimate about China seeking more influence as it becomes stronger. The question is whether it tries to exercise power in ways that are incompatible with the interests and well-being of others. Here it faces the classic choice that all great powers confront: how to balance the desire for power and the need for order. As people often observe, China needs order in Asia to keep growing, but at the same time it wants more power and influence. Its leaders must balance these desires, and take account also of the limits on China's power and the constraints it will still face even if it overtakes America economically.

In striking this balance China has three broad options. First, it could try to oppose a harsh hegemony on Asia, backed by force. This is always a risk, but for the next few decades at least it looks most unlikely that China could hope to impose its leadership on Asia without meeting strong resistance and causing the kind of deep disorder which would disrupt its own progress. As long as major powers like America, Japan, Russia and India would be likely to resist a harsh Chinese hegemony, there is a good chance Beijing will not be dumb enough to try it. It is more likely that they might hope to build a soft hegemony, modelled perhaps on America's primacy in the Western Hemisphere under the Monroe Doctrine. This might be reluctantly accepted by many Asian powers, but never by Japan, nor by the US as long as it remained strategically engaged in Asia, and their opposition would suffice to make this option too so costly and risky for China that it might not be worth it. So China might decide that its desire for more power could best be balanced with its need for order by accepting that it cannot lead Asia by itself. Instead it would have to share regional leadership with the other great powers – Japan, America and eventually India. We can be sure that the Chinese would not welcome this outcome – no doubt the hope for sole leadership in some form – and that would only accept so little because they recognise the costs and risks of reaching for more. We can also be sure that they will not settle for less than this – less than an equal part with the other great powers in a shared leadership in Asia.

The key question about Asia's future then becomes whether America would be prepared to offer China this much? Will America be willing to accept China as an equal in Asia? Many Americans would be very reluctant to do so. For a start, many will not be persuaded that such big concessions to China are necessary. Some expect that the apparent shift of power to China will be reversed when America bounces back from current problems, recalling that predictions of America's eclipse have

always been wrong before. But that assumes the power shift is caused by American weakness, not China's strength. And it overlooks the unique nature of China's challenge – size, as we have seen, makes all the difference, which means that China really could overtake the US economically. On the other hand some people believe that America's military power will allow it to retain leadership in Asia after its economic primacy passes. Certainly America will remain much stronger militarily than China for many decades to come, but that may not help much. For decades the military foundation of American primacy in Asia has been its ability to project air and land forces by sea at will. China's growing air and naval forces are fast eroding that ability, by increasing the costs and risks to the US of deploying aircraft carriers and amphibious ships in China's approaches and even further afield, and this trend seems likely to continue. Even if America could sustain primacy by force of arms– which seems unlikely – it will steadily lose the capacity to project power into Asia as China's forces grow.

Others argue that America's leadership in Asia is secure even without economic or military supremacy, because of the support it will receive from China's neighbours in Asia. Many Asians fear China's power and want America to protect them from it. This is a strong argument as far as it goes, but it only goes half way. It is true that other Asians – and Australia – are anxious about China's power and will eagerly welcome America's engagement to balance China and prevent it dominating the region. But like Australia they also want good relations with China, if only to enjoy the benefits of trade, and that affects the kind of support they want from America, and the kind of help they will offer it. Asians do not want to choose between Washington and Beijing if they can avoid it. Should China try to impose a harsh hegemony backed by force, many Asians would accept that they had no choice but to back Washington against Beijing. But if China's ambitions seem more modest, many Asians will be happy enough to go along. In essence, many Asians will support America to prevent China becoming their overlord, but most will not do so to save America from having to share power with China. They want America to stay in Asia to balance China, but they will not support America to sustain primacy in the face of China's challenge if that means breaking their relations with Beijing. This is true above all of India, which many Americans hope to enlist to redress the shifting balance of power towards China. India as it grows will be happy to work with America, but it will do so to maximise its own power, not America's.

All this means that in the end America faces the same choice as China – how to maximise its influence in Asia while minimising the risks of conflict. For the past four decades this has been easy: American primacy has been the foundation of order, and the stronger America's leadership the more peaceful Asia has been. Now, as the era of

uncontested primacy passes, America's calculus may be different. If China is willing to accept a shared leadership in Asia – a big if – America has to ask whether it would do likewise. Would it agree to relinquish primacy and join a shared leadership as the best way to build a new stable order, or would it rather contest China's challenge and try to sustain primacy, accepting the disorder and possible conflict that would result?

In its simplest terms, the question is whether Americans today value primacy as a means to build order, or has primacy become an end in itself? This is a tough question for Americans, and for America's friends like Australia. American primacy has been the foundation of Asia's order for along time, so we easily assume that it is the only possible basis for order in future, and that any challenge it is therefore aimed at creating disorder and is hence inherently illegitimate. But it is possible to imagine a stable order in Asia that is not based on US primacy, and it is not necessarily wrong for China to seek such an order- one that keeps Asia peaceful and stable but which gives it more power. Before we can say whether America could be willing, so *should* be willing, to accept this kind of order, we need know more about it.

As we have seen, China probably won't settle for anything less than an equal share in some kind of shared leadership, so the best place to start is to ask how that could work. There is a historical model for this kind of international system: the Concert system between Europe's great powers in the Nineteenth Century. The Concert of Europe provided a mechanism under which the key questions of European order could be resolved without full-scale systemic war. It prevented such wars in Europe between 1815 and 1914, and provided the foundation for Europe's remarkable growth and the expansion of its power after the industrial revolution. The heart of a concert of power is an understanding among all the great powers in a system that if any of them tries to exert hegemony over the rest, the others will fight to prevent oppose it, and that the resulting war will cost the challenger more than any possible gains are worth. Understandings like this are hard to build and maintain. The great powers must treat one another with great caution. They must accept the legitimacy of one another's political systems, even when they are very different. They must stay out of one another's internal affairs. They must – within limits - accept the legitimacy of one another's international interests, and be prepared to compromise to reach a deal where these interests collide. They must accept that each member will have armed forces that can limit the strategic options of the others. In other words, they must treat one another as equals - in status if not in power.

A Concert of Asia could be built between Asia's great powers - America, China, Japan and India. It would be an effective way to manage China's rise, and India's rise

too, as well as a way to bring Japan out of its post-war *cul de sac*, by setting and enforcing limits on acceptable international behavior. It must of course embody a clear understanding of what those limits are, because the mutual acceptance of them, and the willingness to uphold them by force if necessary, is what keeps the concert together. But setting these norms for a Concert of Asia might not be too hard; the UN Charter, which is subscribed to by all Asia's great powers, provides a good starting point. Importantly, a Concert of Asia would provide a clear framework for America to remain engaged in Asia and balance China's power. It avoids conceding leadership in Asia to Asia's most powerful state by passing leadership instead to a group which includes America. It would increase China's power in Asia, but it would also constrain China's power – and offer the best prospect of doing so in a way that China might accept, and which might therefore be achieved peacefully.

Many people will still see this as conceding too much to China. It will seem like appeasement. The lesson of Munich is supposed to be that making concessions to ambitious powers only encourages more demands, which, if met, will eventually destroy the international order. Firm refusal, on the other hand, compels respect for the existing order and keeps the peace. But this might be to misinterpret the lesson of Munich. Perhaps Chamberlain's mistake was not to accommodate Hitler over Czechoslovakia, but failing to make it absolutely clear that there would be no accommodation over Poland. Had he done that, World War II could quite possibly have been avoided. This has important implications for the approach to China. It suggests the best way to manage China's ambitions is *both* to offer it enough to be reasonably satisfied *and* to make absolutely clear that further demands would meet determined resistance from a regional coalition, one prepared to use force if necessary to prevent any Chinese attempt to use its power aggressively.

Of course there are risks in this kind of cautious accommodation with China, but what are the alternatives for America? It faces a simple choice: if it is not willing to share power with China as China grows, America must either withdraw from Asia or compete with China for primacy. At first glance the chances of America withdrawing seem slight. While America's role in Asia has been uncontested, the costs of leadership have been low and the benefits high. But as China grows America's presence in Asia will become more costly. Americans will ask whether they still need to play a big role in Asia in the Asian century. The old arguments are that that America is bound to Asia by its own economic and strategic interests. Asia is vital to America's prosperity, and stability is vital to Asia's growth, so Americans might still argue that they need to stay in Asia to keep the peace. However, that purpose defeats itself if staying engaged in Asia leads to a destabilizing contest with China. It only

makes economic sense for America to stay engaged if it can find a way to avoid competing with China.

A stronger reason for America to stay engaged might be its own security, which ultimately depends on preventing any country in Europe or Asia from growing strong enough to project power against America across the Pacific or Atlantic oceans. But no Asian power, including China, poses that kind of risk. As we have seen, China faces formidable competition from Japan, India and probably Russia. America could leave all these countries to maintain a balance of power among themselves, intervening only to restore the balance if necessary. The British used this approach – offshore balancing – very successfully for centuries in Europe, and America could do the same. This would not be good news for Asia, of course.

The other alternative for America as China's power grows is to accept the challenge and compete for leadership in Asia. What would that mean? China is already too powerful to be contained without intense and protracted pressure from America. The resulting antagonism could soon develop its own momentum. Military capabilities on both sides would grow quickly. Competition for influence and military bases in third countries would intensify, and it would be harder and harder for other countries to avoid taking sides. Asia would again face the prospect of a deep division between camps aligned with one or other of the two strongest powers. The conflict between these camps would inhibit trade, investment and travel, with immense economic costs. And there would be a real and growing risk of major war between them. Any conflict between the US and China has a real chance of going nuclear. Nuclear war between the US and China would not be as bad as the holocaust we feared in the Cold War, but it could still quickly become the most deadly war in history. In other words, the costs and risks of competition are very high indeed.

It might seem that the likelihood of strategic competition between the US and China getting out of hand like this is very low, because they are so economically interdependent. Interdependence certainly makes an escalating strategic contest more expensive, but that limits the risk of contest and conflict only so far as countries to govern their conduct by rational economic self-interest. That might not be very far. In fact faith in the stabilising effects of economic interdependence might prove counter-productive. One notices that Americans often believe that China will still not risk the economic consequences of a strategic contest with America, while Chinese are becoming more confident that America won't risk the economic costs of blocking China's path to power. Both therefore expect that they can achieve their own strategic aims without economic sacrifice, because the other side will not pay the economic costs of strategic confrontation. Neither side therefore believes they have to moderate their strategic goals to protect their economic interests, because they are sure the other

side will. This is dangerous. Interdependence does not remove the need to build a new order in Asia that peacefully accommodates China's growing power, and nor does it remove the need for both sides to compromise if such an order is to be built. Faith that interdependence guarantees peace may actually increase the risk of discord by blinding people to the need to compromise.

In fact the drift to strategic competition has already begun, and seems to have intensified in recent months. There is a danger that it will become self-sustaining. On America's side it may also be amplified by the attitude of Japan, which faces an intractable dilemma. Japan understandably fears China's growing power, and relies on America for protection from it. But the stronger China becomes, and the better Washington and Beijing get on, the less confident Tokyo can be that America will always put Japan's interests ahead of China's. Japan is therefore reluctant to see the US and China get on too well. Perhaps alone among China's Asian neighbours it might prefer the US to compete with China rather than cooperate with it. And Japan's views count in Washington, because if the US does get drawn into strategic competition with China, its close alliance with Japan will be a critical strategic asset. Japan's fear will therefore help push America towards a strategic contest with China for primacy. The only way to avoid this seems to be for Japan to cease to rely on the US for security from China, resume the role of a great power, and join the Asian Concert in its own right if that is how Asia's order evolves. But this would be a huge policy shift, very difficult for Japan to manage, and very difficult for others in Asia, including China, to accept.

Finally, however, America's choices will be made by Americans, and will be strongly influenced by their view of America's proper role in the world. Choosing to share power in Asia with China will not be easy for them, not just because they fear or distrust China, but because it will not seem true to America's exceptional nature as a country. American exceptionalism has been nurtured first in isolation from the international system, and then in leadership of it. It will take a lot for America to adjust to being one among equals in a system which requires it to compromise its interests and its values in the power-political diplomacy of a concert system. Many will not want to do so. Some will prefer to walk away and leave Asia to the Asians, but most will prefer to take China on. They will argue that China is not nearly as threatening as the Soviet Union, so why shouldn't American defeat China the way they won the Cold War? There are two answers to that. The first is that America might have won the Cold War thanks to its strength, but it only survived it thanks to good luck. The second is that China looks less intimidating than the Soviets, because it is less aggressive and less well-armed, but in the long run it is a more dangerous strategic adversary for America, because it is richer and therefore stronger. There is a

risk Americans will underestimate China, and slide into a strategic competition with them which they cannot win.

China's rise may prove to be the most consequential change in Australia's strategic circumstances since European settlement over 230 years ago. It may indeed mark the final close of the era of Western primacy in Asia that began with Vasco da Gama, leaving Australia and New Zealand as its relics.^{vi} This is not however the first time Australia has faced major strategic shifts. Three times in the past 120 years we have had to reorient the foundations our foreign and strategic policies: in the late nineteenth century as British power declined, after World War Two as Asia decolonised, and in the late 1960s after Forward Defence collapsed. Each time we did a reasonable job of adapting to new conditions. It will be interesting to see whether we do as well this time. We face two connected but separate tasks. First, to do whatever we can to try to influence the evolution of Asia's order to best protect our interests. Second, to consider how best to prepare for the possibility that whatever we do, Australia's strategic environment will quite probably be tougher in future than it has been for many decades.

It is best to start by being clear about what we want. Ideally, of course, we would want the status quo. Uncontested American primacy has been remarkably good for Australia, and if it could be sustained that would clearly be our best option. But if the forgoing argument is correct, this is not possible. Our preference should be for the alternative that offers the most stable relations among Asian powers. We want the strongest possible economic relationship with China and the strongest possible strategic relationship with the US. We want the US engaged in the region and allied to Australia, and we want China to fulfill its potential as the economic powerhouse of the region and the locomotive for Australia's prosperity.

None of the Asian strategic futures sketched in this essay would be as good for Australia as the past forty years have been. American withdrawal from Asia would probably leave the region riven by strategic competition between China, Japan and India, or dominated by China. US-China competition would divide the Asia into armed camps, forcing Australia to choose between our great ally and our economic future, and perhaps between our alliance and strategic independence. Even an Asian order based on shared power would be more challenging for Australia than the uncontested US primacy we have known, because although we might remain an American ally, the logic of a Concert implies that in all but the gravest circumstances the great powers must give first priority to their relations with one another. We would often be squeezed between them.

Nonetheless it seems clear that the best outcome for Australia would be a Concert of Asia. This is the order which would maintain the greatest strategic role for America in Asia while also maintaining peaceful US-China relations. It is also the order which best preserves Australia's alliance with America. Nonetheless it will be hard for Australians to accept that this is what we should hope for and help to bring about. Since first European settlement, Australia has been protected by the dominant maritime power in Asia of a great 'Anglo-Saxon' ally, and our whole strategic history can best be seen as a series of efforts to bolster the ability and willingness of those allies to maintain that dominance. It would be a big step indeed for Australians now to accept that our relations with Asia and our security in this region would no longer be mediated by a dominant Western ally.

This raises very deep questions of national identity for Australia, questions about our relationship with Asia which are still unresolved, and perhaps not even fully acknowledged, after 232 years. Indeed it raises questions about the very idea of Australia. Europeans settled her in the late eighteenth century as the Industrial Revolution in the West broke the connection between population and power. That created an unprecedented imbalance of power between East and West which allowed the West to project and sustain decisive strategic weight in the Asian littoral, and the settlement of Australia was one result. Now after more than two centuries Asia's industrial revolution is restoring the connection between population and power, and restoring the balance of power between them. So the forces shaping our international situation are vast, and the choices that they present us are stark. We do not want to live in China's orbit, but nor do we want to live in a state of hostility with China. Like everyone else in Asia, we need to balance carefully the costs and risks of accommodating China against the costs and risks of confronting it. When the costs of confrontation are clearly understood, accommodation – within clear limits - becomes the only credible option.

What should we do about it? The key decisions to seek accommodation or accept confrontation will be made in Washington and Beijing, so they must be the focus of our efforts. If the argument of this essay is correct, Australia should launch a diplomatic campaign to persuade China and America to work together to build a Concert of Asia. Both capitals would be important targets of such a campaign, but Washington is the more important: America's choices are harder, because it is the one that would have to relinquish power, and our influence there is, or should be, much stronger than in Beijing. We should aim to push America to relinquish primacy in favour of a collective leadership in Asia embodying the principles of the UN Charter. We could also urge America to take steps towards demonstrating its willing to treat

China can equal on key issues like nuclear strategy and Taiwan.^{vii} Many people will wonder why we would bother, because our chances of influencing America would be so slight. But how can we be sure of that? What do we have to lose? Why not try, when the issues are so important? Moreover we do not have to argue the case alone. Many other countries in Asia will seek what we seek, so we should be able to encourage them to amplify our message in both capitals. This would be the hardest diplomatic task Australia has ever faced, but arguably the stakes have never been higher.

Even so, the chances of success are not great. There is a real risk that one or other of the worse strategic outcomes will eventuate: either the US and China will be drawn into an intensifying strategic contest, or the US will gradually withdraw from Asia. What would that mean for Australia? Broadly speaking we would have five options. If America stays in Asia we could remain a close ally, but if competition with China intensified that would become more and more costly, and carry higher and higher risks. America would expect us to accept US forces based here, build bigger forces of our own and base them abroad with American forces, and commit unambiguously to specific combat support in war against China. There would be a real danger of major war – perhaps nuclear war - with China.

If America left Asia we might look for a new great power ally, but the closer one looks at this option the less appealing it becomes. A better option might be to adopt armed neutrality on the Swiss or Swedish model. This has many attractions, and our geography would help, but we would need the armed forces to give it teeth. Another option would be to form an alliance with our neighbours in maritime Southeast Asia, especially Indonesia. This might not be impossible, but it would require a revolution in our relations with our giant neighbour, and it too would require big armed forces. Finally there is the option of unarmed neutrality – the New Zealand option. Many people laugh at this option, but it is no joke. In fact we might be drifting this way already. The way things stand, if Asia becomes contested between America and China we might find we have only two choices – either follow America into the contest, or follow New Zealand's example and rely on remoteness and good will to protect us. The difference is that they also have Australia.

The core choice Australia faces today in the face of Asia's transformation is whether we are content to become a small power like New Zealand, or decide instead to build the strategic weight needed to be a middle power in the Asian century. We think of ourselves as a middle power today, of course, but how would we know? We have never tried to achieve anything serious internationally without the support of America and that does not count. To be a middle power, we would need to be able to resist pressure from a major power without the support of another major power. In

military terms, that means being able to impose enough costs and risk on the forces that a major power could deploy in our approaches to outweigh whatever benefit he was trying to gain. Could Australia build forces to do that, and thus give us the strategic weight of a middle power in the Asian century? It is not certain, but we might be able to do it if we define our objectives very clearly and build forces focused on achieving those objectives as cost-effectively as possible. Even then it would cost us a lot more than 2% or GDP – maybe 3% or more. And if we want to be a middle power in 2030 we have to start now doing all this now. Finally, we need to keep in mind that Asia’s power shift means that long-term trends are against us too. Today China’s GDP is four times larger Australia’s. By 2030 it will be nine times larger, and by 2050, twenty times.

That makes you think. Nonetheless, I do not believe that Australia should abandon the aim of being a middle power in the Asian century before we have understood better what it would cost to achieve it, and what it would cost to let it go. Nor should we resign ourselves to sleepwalking into a role of timid automatism in an uncertain, contested Asia until we have done much more to understand how our region can remain peaceful and stable, and how we can help to bring that about. First, we need to accept that if China keeps growing, and it probably will, Asia will change. For Australia, foreign affairs and defence policy are getting serious again.

ⁱA fuller version of this account of the nature and evolution of Asia’s post-Vietnam order can be found in Hugh White “Why War in Asia Remains Thinkable” *Survival* vol. 50 no. 6 December 2008-Jan 2009 pp. 85-104.

<http://www.informaworld.com/smpp/content~content=a906263182~db=all~order=page>

ⁱⁱ Some will wonder why India does not play a larger role in this analysis. Like others, I do see India as a key player in Asia’s strategic future, but its rise does not yet present the kind of challenge to Asian order that China’s does.

ⁱⁱⁱ A fuller account of John Howard’s approach to these issues can be found in “The Limits to Optimism: Australia and the Rise of China” in *Australian Journal of International Affairs* Vol 59 No 4 December 2005 pp469-480

^{iv} Further observations on Kevin Rudd’s approach to China as PM can be found in “Comment: Rudd’s China Policy” *The Monthly* December 2009 – January 2010
<http://www.themonthly.com.au/nation-reviewed-hugh-white-comment-rudd-s-china-policy-2186>

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- ^v For Tony Abbott's views, see Tony Abbott, *Battlelines*, Melbourne University Press, Melbourne, 2009, p. 160.
- ^{vi} Coral Bell *The End of the Vasco da Gama Era* Lowy Institute Sydney 2007
<http://www.lowyinstitute.org/Publication.asp?pid=723>
- ^{vii} I have more fully developed these ideas in "Stopping a Nuclear Arms Race Between the US and China," Lowy Institute for International Policy, August 2007. Available at www.lowyinstitute.org/Publication.asp?pid=654 and "The US, Taiwan and the PRC – Managing China's Rise: Policy Options for Australia," Melbourne Asia Policy Paper No. 5, November 2004. Available at www.asialink.unimelb.edu.au/__data/assets/pdf_file/0003/4197/mapp5.pdf.