

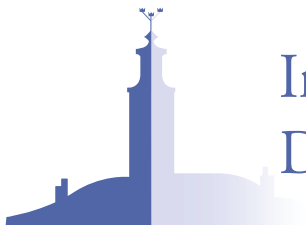
Out of the “Slipstream” of Power?

Australian Grand Strategy and the South China Sea Disputes

Elliot Brennan



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Cover picture: HMAS Ballarat (right) and the Royal Thai Navy warship HTMS Sukhothai conduct exercises on passage to Sattahip, Thailand for Exercise AUSTHAI 17. © Commonwealth of Australia 2015, CC BY-NC-ND 4.0.

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Acronyms

A2/AD	Anti-Access Area-Denial
ABC	Australian Broadcasting Corporation
ADF	Australian Defence Force
ADIZ	Air Defense Identification Zone
AIIB	Asian Infrastructure Investment Bank
ALP	Australian Labor Party
ANZUS	Australia, New Zealand, United States Security Treaty
APEC	Asia-Pacific Economic-Cooperation
ASEAN	Association of South East Asian Nations
AUSMIN	Australia – United States Ministerial Consultation
CCP	Chinese Communist Party
DWP	Defence White Paper
EAS	East Asia Summit
FONOPs	Freedom of Navigation Operations
FTA	Free Trade Agreement
GDP	Gross Domestic Product
HMAS	Her or His Majesty's Australian Ship
ICT	Information Communications Technology
MH370	Malaysia Airlines Flight 370
PLA	People's Liberation Army
PLA/N	People's Liberation Army/Navy
RAAF	Royal Australian Airforce
RAN	Royal Australian Navy
RCEP	Regional Comprehensive Economic Partnership
SCS	South China Sea
SEATO	The Southeast Asia Treaty Organization

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SLOCs	Sea lines of communication
U.K.	United Kingdom
U.S.	United States
USS	United States Ship

Executive Summary

The following Asia Paper examines the continuing debate in Canberra as to how to address changing regional dynamics in Australian foreign policy. It argues that the South China Sea (SCS) disputes are a crucial determinant that will shape Australia's emerging foreign and economic policy and that the development of a grand strategy, which clearly outlines Australia's interests in the region, would help improve engagement relationships in the Indo-Pacific.

The changing regional security dynamics necessitate that Canberra re-evaluate and rebalance its relations in the region. Until this is achieved, a muddle-through "hedge and engage strategy" with China will continue; though this strategy is unlikely to support greater confidence in China-Australia relations or U.S.-China relations, and only prompt other countries in the region to conduct similar policy, thereby provoking an entrenchment of the Thucydides trap. The development of a grand strategy would enable greater coherence of Australia's position and reduce the risk of miscalculation. Supporting the U.S.' footprint in the Indo-Pacific, through greater force interoperability, improved agility of forces and enabling capability enhancements, particularly in the realm of cyber and space, will be important in lessening the burden on Washington to remain active in the region in the long-term. Under the Trump administration, any Australian government wanting to progress the U.S.-Australia relationship is likely to meet stiffer resistance from a population wary of the new administration's unorthodox governing style. During this period of change, Australia should deepen and diversify bilateral engagements in the Indo-Pacific and support new and existing multilateral organizations. The recommendations and implications that follow are also highly relevant for other countries in Indo-Pacific region.

Policy Recommendations

- If Australia is to ensure its security in the Asian century, then it needs a deeper and expanded network of alliances and partners in the region. This may include expanding and consolidating its leadership role in the South Pacific and strengthening relations in Southeast Asia.
- If Washington adopts a more isolationist policy, then Canberra will face greater pressure to accelerate defense spending, consolidate regional relationships and be more permissive of Beijing's expanding influence in the region.
- A strong economy is crucial to meeting Australia's stated defense spending – both from a purely fiscal point of view and maintaining willingness at a public level. This will require diversifying economic relations and expanding traditional trade relationships to minimize any dependence relationship on China.
- Greater clarity on what would invoke the ANZUS treaty may reduce the risk of miscalculation and support greater contribution by Australia. Where prudent this should be explained to other partners and countries in the region.
- If tensions in the region continue, Australia may elevate the avoidance of conflict in East Asia as a first order priority for its foreign and economic policy.
- The selection of a French defense contractor, ahead of Japan, for the next fleet of Australian submarines should be the beginning of a deepening relationship that supports European countries engagement in the Indo-Pacific.
- Canberra must significantly improve its digital diplomacy efforts, through government, business and wider society, to increase its footprint and influence in the region.
- Canberra must look to hit above its weight and capitalize on events that offer short-term windows for high-impact policy, as was done in its leadership in the MH370 search and rescue mission.

- Australia should deepen its relations with its two largest neighbors, Indonesia and Papua New Guinea. Canberra should double down on future engagements by encouraging relevant language education for young Australians.
- Canberra should increase resources for Chinese-language and cultural studies in schools and businesses.
- While it is not unreasonable for Canberra and other capitals to seek to rejuvenate and strengthen defenses in a period of upheaval, this must be matched by sufficient and regular forums for regional dialogue and cooperation, including increased support and connectivity to track 1.5 dialogues.
- Canberra should support and encourage other interested parties to improve and deepen regional infrastructure such as the EAS, RCEP, and ASEAN. Indeed, these should look to buttress the rules-based system in the region.
- Australia should work with regional partners to strengthen their cyber security capabilities in order to combat next generation and non-traditional threats.
- Canberra should deepen relations with all nations for improved dialogue on issues of mutual concern, including for better cooperation on counter-narcotics, counter-terrorism, disaster preparedness, irregular migration, and rapid response to health emergencies.
- Australia must leverage its emerging gas export boom to support regional growth and development, including, where appropriate, through support for Beijing's Belt and Road Initiative.
- Australia, both government and companies, should emphasize the importance of freedom of navigation through the SCS for these energy exports to reach their markets.
- The erosion of international norms is a threat to Australia's security, both economic and otherwise. Canberra must be willing to defend these norms where they are challenged by any and all actors.

Introduction

In 2015 Australia's top diplomat, Peter Varghese, spoke on the nation's place in the global order. His comments offered a telling insight into the heart of Australia's Department of Foreign Affairs and Trade. Among other projections Varghese noted that any "grand bargain" between the two key regional players, the People's Republic of China (hereafter China) and the U.S., is unlikely and that while the formation of a new power structure in the region would occur, the change would be "incremental and organic." It begged a question then: Where would Australia sit in this new Indo-Pacific power structure? Varghese admitted that Australia has traditionally "shied away from the exercise of power" with a tendency to see others as the owners of power, noting that Canberra has "traditionally been more comfortable in the slipstream [of projection of power] than in the lead."¹ Varghese continued to press what is an increasingly prominent view in Australia: that Australia should step out of this "slipstream" and assert a more independent and direct foreign policy, particularly in the Indo-Pacific.

Varghese's comments are well founded. Australia is anything but an economic minnow. In 2015 it was the 12th largest economy in the world, a major trading nation, and responsible for 10 percent of the earth's surface. Yet Australia's foreign policy has in the past been held back by a strategic anxiety, defined more by its geographic isolation from Europe and North America than by its economic prowess. Indeed, this strategic anxiety, or what former Prime Minister Malcolm Fraser termed "strategic dependence,"² has been

¹ Peter Varghese, "Address by Peter Varghese AO – An Australian World View: A Practitioner's perspective" *Lowy Institute*, August 20, 2015, accessed August 20, 2015, <http://www.lowyinstitute.org/publications/australian-world-view-practitioners-perspective>

² Malcolm Fraser and Cain Roberts, *Dangerous Allies*, (Melbourne: Melbourne University Press, 2014) Kindle Edition; Australia Broadcasting Commission, "Malcolm Fraser on The

driven by a reluctance within the Australian mindset to accept geographical realities. What Varghese and many other Australian academics, strategists, and commentators before him have highlighted is that instead of an anxiety over its geography, Australia needs to embrace the opportunity that its geopolitical difference provides. In order to do so, Australia must buck a long trend and settled mindset of reliance on big allies – and mature into its rightful place, as a leader not a follower, in the global order.

This kind of strategic shift out of the “slipstream” of power may manifest as a doubling down on near-neighbor relations with a view of consolidating its influence among Pacific island countries, including Papua New Guinea, as well as deepening relations with Southeast Asian nations, such as through joining ASEAN or playing a leading role in RCEP. This is by no means a zero-sum game, where one alliance is traded for another. Instead, it aims to create greater maneuverability to project Australia’s interests – which while often similar to those of Washington, and to a different degree Beijing, are nevertheless distinct.

Such a shift would change Australia’s traditional position in this “slipstream” of great powers. At its founding Australian foreign policy was shaped first by the United Kingdom and, since World War II, by the U.S. Since the beginning of the 20th century Australia has fought alongside the U.S. in every major conflict in which the U.S. has been involved. These alliances have acted as strategic guarantees to Australia’s growth and sheltered Canberra from an often turbulent region. In recent years this has become more complex. Until 2004 Japan and the U.S. both had larger two-way trade with Australia than China. Over the next decade two-way trade between China and Australia soared, surpassing A\$150 billion in 2013, more than the combined total of the U.S. and Japan’s two-way trade with Australia in the same year.³ This coincided with a dramatic change in Australia’s demographic make-up –

Conversation Hour with Jon Faine”

[http://www.abc.net.au/local/audio/2014/05/08/4000618.htm?§ion=latest&date=\(none\)](http://www.abc.net.au/local/audio/2014/05/08/4000618.htm?§ion=latest&date=(none))

³ Australian Department of Foreign Affairs and Trade, “Benefits of Free Trade Agreements”, 2013. <http://dfat.gov.au/trade/agreements/Pages/benefits-of-ftas.aspx>

today over half the population is either first or second generation Australian.⁴ This diversity has supported a multi-lingual, multi-ethnic diplomatic corps, and a business community with a global outlook. The result of these demographic changes, as well as the new economic reality, has been a recalibration of Australia’s interests toward the Indo-Pacific and renewed thought on how Australia should engage with the region and its traditional allies.

Traditionally, Canberra has operated without a grand strategy, a term largely absent in domestic policy debate, but rather has created its doctrine through defense white papers. Indeed, 20th century Australia relied heavily on its allies, first the U.K. and then the U.S., to inform its strategic choices. The changing regional environment and greater challenges in balancing Australia’s economic and security interests should now push Canberra to devise a holistic and integrative grand strategy.⁵ Such a strategy will enable a greater coherence in Australia’s broader economic and security policy in the region, as well as defining how regional actors should interact within Australia, particularly in regard to foreign investment and other areas deemed in the national interest.

Asia’s tremendous growth in recent years also holds inherent dangers. Economic integration has, as a result, been the pillar on which to better secure the region. The more invested States are in a peaceful status-quo, the more likely they are to manage disputes diplomatically rather than militarily – or so the logic goes. Indeed, this logic has been the pillar of Australia’s engagement policy in the region and with China. Key to this economic integration are the region’s trade routes. Ninety percent of all global trade by weight and volume, and 80 percent by value, is carried through Sea Lines of

⁴ Relevant to this essay, according to the 2011 Australian Census, 4.3 percent of the population or 866,200 people claimed Chinese ancestry, which includes both those born in China and those not born in China but who identify as Chinese. Of these people, 74 percent were first generation Australian, 21 percent were second generation Australian and 4 percent were third-plus generation Australian. Some 319,500 people reported speaking Mandarin at home, a further 254,700 reported speaking Cantonese at home.

⁵ For an in-depth look at Grand Strategy in Australia see Michael Wesley, 2016, *Australia’s Grand Strategy and the 2016 Defence White Paper*,

Communication (SLOCs) across the world's maritime routes. If economic integration is the strength behind modern-day security, then anti-access/area denial (A2/AD) of maritime routes is its Achilles' heel.

The majority of Australia's trade passes through the South China Sea, a volume that is likely to increase in coming years as new energy export terminals and economic partnership agreements materialize. Given these large flows of trade through the Sea and Australia's important economic ties with East and Southeast Asia, it is perhaps surprising that in recent years, Canberra has taken a cautious approach to remain at arms-length from the region's territorial disputes. Indeed, as Michael Wesley noted in 2013, Australia has been "markedly hesitant" in its stance on the South China Sea.⁶ This is visible, as discussed in this essay, in the several Australian white papers from 1994 through to 2013 with the strongest rebuke and overt hedging of Beijing's South China Sea policy seen in the 2016 Defence White Paper (DWP). Hitherto, Canberra remained rather mute on the subject, only remarking that the territorial disputes should be resolved through negotiation and in accordance with international law⁷ - an official position traced back to Prime Minister Robert Menzies in 1950 when his government insisted the disputes be settled in the Japanese Peace Treaty Conference.⁸

After much debate and with the undeniable changes occurring in the region, Australia began moving out of this slipstream of power projection and into a more independent and, at times, forthright foreign policy. This slow shift benefited relations with China in the 1990s and early 2000s, and enabled a two-pronged policy of "engage and hedge" - engage economically and

⁶ Michael Wesley, *Australia's Interests in the South China Sea*, National Security College, Occasional 5 Brief 9, (Australian National University, 2013), accessed May 20, 2015, <http://nsc.anu.edu.au/documents/occasional-5-brief-9.pdf>

⁷ Joint statement AUSMIN 2015, Australian Government Department of Foreign Affairs and Trade, October 13 2015, accessed November 24, 2015 <http://dfat.gov.au/geo/united-states-of-america/ausmin/Pages/joint-statement-ausmin-2015.aspx>

⁸ National Archives of Australia, "Islands in the South China Sea - Spratly-Nansha - Paracel-Sisha - Pratas-Tungsha - Macclesfield-Chungsha [413 pp]," NAA: A1838, 526/1 PART 1 [Series number : A1838, Control Symbol 526/1 PART 1], accessed December 28, 2015, <http://recordsearch.naa.gov.au/SearchNRRetrieve/Interface/ViewImage.aspx?B=553110>.

cautiously prepare to hedge militarily if the first strategy fails to integrate Beijing into the rules-based order.

In adapting to these changes, Australia is recalibrating its priorities toward a more omnidirectional foreign and economic policy and a forward defense posture. On the one hand balancing traditional alliances with the U.S. and to a lesser extent Europe, and establishing stronger ties – as seen partly through recent free trade agreements – with Singapore, South Korea, India and Japan. On the other hand, ratcheting up economic and political ties with Beijing, in the form of a Free Trade Agreement (FTA), a Comprehensive Strategic Partnership, which includes the annual leaders meeting between the Prime Minister and Chinese Premier and the annual ministerial-level Foreign and Strategic Dialogue. This balancing act has been one of the greatest challenges Australia has faced in its history. The symbolic core of this challenge lies in the South China Sea. Beijing’s actions in the South China Sea, particularly in 2015 and 2016, have caused the reemergence of old strategic anxieties and louder calls from some quarters for a doubling down of past strategic alliances rather than fostering the emergence of a more desirable omnidirectional foreign and economic policy, which would in fact be in China’s interest.

The following sections will observe Australia’s emerging foreign policy and its position – past, present and future – in the South China Sea disputes. The first, *The Slipstream*, looks briefly at Australia’s historical strategic anxiety, including the opening of relations with China, as well as reviewing declassified documents on post-World War II diplomatic efforts for the resolution of disputes in the South China Sea. It similarly reviews the content of Australia’s White Papers *vis-à-vis* the South China Sea from 1994 to 2013. The second, *The State of Play: Australia & the South China Sea Disputes*, looks at Australia’s present day relations over the South China Sea, the 2016 White Paper, defense spending and force structure. The last section, *Alliances and Partnerships*, explores Australia’s strategic relationships.

The Slipstream

Shortly after Australia's federation in 1900, when Australia's second Prime Minister Alfred Deakin wanted the U.S.' Great White Fleet to visit Australia, he sent an invitation to Washington - via Whitehall.⁹ In 1944 when Prime Minister John Curtin spoke at the Australia Club in London, he noted that, "We carry on out there a British community in the South Seas and we regard ourselves as the trustees for the British way of life..."¹⁰ It was not until that same year in the midst of World War II that Australia, realizing the U.K. was in no position to honor its alliance commitments, took its first step toward creating its own, independent foreign policy with the signing of the Canberra Pact, a security treaty with New Zealand.

Australia's deep ties with Britain ended with the British Empire itself. A movement for an Australian republic gained significant support following what was considered a betrayal of Australia by London during World War II. The British Prime Minister, Winston Churchill, had refused to release Australian troops from the North Africa campaign to defend their homeland after Australia was attacked by the Japanese. As a result, Australia turned to the U.S. for military assistance. For many in Australia, this rude awakening of the country's vulnerability was a turning point. Yet even in the 1960s, Stephen FitzGerald, Australia's first Ambassador to China, lamented that Australia

⁹ Nick Bryant, *The rise and fall of Australia*, (Sydney: Random House, 2015), 195.; Russell Parkin and David Lee, *Great white fleet to coral sea: Naval strategy and the development of Australia-United States relations, 1900-1945* (Canberra:National Library of Australia, 2008),

<https://dfat.gov.au/about-us/publications/historical-documents/Documents/great-white-fleet-to-coral-sea.pdf>

¹⁰ john.curtin.edu.au, "Diary of a Labour Man: Fulltext of JCPML00129/2" accessed January 7, 2015,

http://john.curtin.edu.au/diary/primeminister/fulltext/fulltext%20prime%20minister_1944_9.html

still lacked a truly independent foreign policy.¹¹ Instead, throughout much of the 20th and all of the 19th centuries, it was a policy framed within or at least directed by the strategic interests of the U.K. or the U.S.

The Vietnam War brought a change in Australian public opinion. Protests against the war in the late 1960s and early 1970s were the first time a popular mass movement was mobilized against government policy on the side of an Asian country.¹² These sentiments paved the way for the acceptance of tens of thousands of Vietnamese refugees who fled Vietnam after 1975 into Australia and marked the end of the White Australia Policy, a racist anti-immigration policy that sought to tie Australia to the Anglosphere rather than its geographic location. Importantly these events promoted a favorable environment for the first landmark visit by an Australian political leader to China.

Gough Whitlam, leader of the Australian Labor Party (ALP), had advocated for the recognition of China since 1954.¹³ It was therefore in line with his long held belief that in April 1971 his ALP, at the time in opposition yet predicted to win the election the following year, sought an invitation from Chinese Premier Zhou Enlai. The stimulus for his party's move was the valuable wheat trade, which had begun in 1960 and was by 1971, worth \$100 million a year.¹⁴ That Whitlam was seeking an invitation from China at all was a bold move. Particularly since it was ahead of an election year and the opposition government led in the polls. But, it was a gamble that paid off. In his meeting with Zhou Enlai, Whitlam promised that his government, if elected, would recognize the People's Republic of China. The McMahon government was fiercely opposed. Launching a tirade of abuse in the Australian media, McMahon warned that the Americans would be angry and would rebuke Australia for the meeting. But Whitlam had preempted the move, taking with

¹¹ Stephen FitzGerald, *Comrade Ambassador: Whitlam's Beijing Envoy*, (Melbourne: Melbourne University Press, 2015), Kindle Edition.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

him a team of journalists that filed ahead and appeared in Australian news media before McMahon's comments and, as a result, the initial reports in Australian media were positive.¹⁵ The unannounced arrival of Henry Kissinger just days after Whitlam's visit sucked the last wisps of wind out of the McMahon governments' sail. Whitlam, arriving in Tokyo, remarked on Kissinger's visit, "This is a good day for China and America. It is a good day for Australia and Japan. It is a great day for all who wish to see the peaceful development of our region..." A matter of months later he would be Prime Minister and the "peaceful development" of the region seemed to be underway.

Under the Whitlam government's albeit brief term in office, and supported by his bold move to establish relations with China, a more independent foreign policy emerged. A raft of progressive policy was ushered in that changed the way Australia viewed itself in the region. As Graeme Dobell notes, "Whitlam helped Australia think about finding its security *in* Asia, not to seek security *from* Asia."¹⁶ Notable in the context of this paper was his government's decision in 1973, following the recognition of the People's Republic of China, to inform the U.S. of Canberra's reluctance to take part in PX-49, a SEATO-U.S. maritime exercise, for fear of offending Beijing.¹⁷ It perhaps marked the first time Australia balanced out its relations with China and the U.S. in the same margin. Yet despite Whitlam's far-sightedness in embracing closer Australia-China relations, traditional power relationships persisted. Nothing demonstrated this more than the "Constitutional Crisis" of 1975 that saw the Queen's representative in Australia dissolve the Whitlam government. The Dismissal, as it came to be known, could have marked the end of Australia's gambit into Asia. But despite great animosity between Whitlam and Malcolm Fraser, the newly elected Prime Minister Fraser continued his predecessor's

¹⁵ Ibid.

¹⁶ Graeme Dobell, "Gough's remaking of foreign policy," *The Strategist*, October 22, 2014, accessed November 20, 2015, <http://www.aspistrategist.org.au/goughs-remaking-of-foreign-policy/>

¹⁷ 1973CANBER04208_b, Further Australian comments on SEATO training exercise PX-49, 1973 July 30, Wikileaks, https://wikileaks.org/plusd/cables/1973CANBER04208_b.html

foreign policy after Whitlam's ouster. Supported by a new relationship with Beijing, Australia's policy shift had begun, its White Australia Policy was over and there was finally a recognition in its foreign policy to the region in which it exists. It marked the embryonic beginnings of what would decades later become Australia's more independent, omnidirectional foreign and economic policy. Indeed, Australia's recognition and embrace of China helped author this new Asia-focused policy.

At the same time as these ties with Asia were deepening, Canberra was also supporting a greater role for U.S. engagement in the region. Through the work of Gareth Evans, a long serving foreign minister (1988-1996) and influential thinker, Australia played a crucial role in the creation of the Asia-Pacific Economic Cooperation (APEC), which supported the development of trans-Pacific architecture inclusive of the U.S. and strengthened the position of Japan, an important U.S. ally, in the region. Indeed, while the shift toward a more omnidirectional foreign and economic policy emerged from the 1970s, little was in direct contradiction to U.S. policy in the region. Australia even played a role in encouraging the U.S. under President Johnson to escalate the war in Vietnam. Shared concerns about the spread of communism and a desire for the development of free markets, would lead the cooperation between Australia and the U.S. for the decades to follow.

Historical Positions on the South China Sea

The Archives: South China Sea

Two decades prior to Whitlam's visit to China, and in the shadow of the strong relationships with the U.S. and the U.K., Canberra watched warily as territorial disputes over islands in the South China Sea arose. Handwritten, often illegible pre-1959 filings from the Department of External Affairs (a forerunner to the Department of Foreign Affairs and Trade) offer one of the first Australian accounts of concern over territorial disputes in the South China Sea. The declassified memos and documents, many marked *Secret*, record Australia's strategic concern over the islands and reveal Canberra's long-running desire to see a peaceful resolution to the disputes. Among the documents is a briefing on the military significance of the disputed islands from Australia's Joint Intelligence Committee in 1959. It read:

On 27th April 1950, in connection with the formation of a draft peace treaty with Japan, the Defence Committee agreed that it was in Australia's strategic interests to work for U.S. Trusteeship of the Spratly Islands. In fact, the Peace Treaty left the question of sovereignty unsettled.¹⁸

It continued:

In May 1950, Australia was concerned, for strategic reasons, that the Spratly Islands might fall into Chinese Communist hands. In an attempt to forestall this, the United Kingdom was sounded out about accepting trusteeship of the islands. The United Kingdom

¹⁸ National Archives of Australia, "Islands in the South China Sea - Spratly-Nansha - Paracel-Sisha - Pratas-Tungsha - Macclesfield-Chungsha [413 pp]," NAA: A1838, 526/1 PART 1 [Series number : A1838, Control Symbol 526/1 PART 1], accessed December 28, 2015, <http://recordsearch.naa.gov.au/SearchNRRetrieve/Interface/ViewImage.aspx?B=553110>.

replied that they would probably be unwilling to do anything which would embarrass them in relations with the Communist Chinese. They foresaw the danger their occupation of the islands might be resisted.¹⁹

The briefing demonstrated a clarity on the strategic importance of the islands and potential avenues for resolution. Australia's eagerness for the U.K., which has a sound basis as a potential claimant of the Spratly Islands²⁰, to take an active role in trusteeship of the islands fell on deaf ears. Instead the U.K. deflected, suggesting instead that France may be better placed in their claim given they had not yet recognized China.

Yet more prophetically the briefing noted that:

If, in the longer term, the Communist Chinese were to develop the islands militarily, they could make a nuisance out of themselves on the international shipping and air routes on the pretext of infringements of territorial waters and air space and might even shoot down an aircraft occasionally. Again, there is little the West is likely to do, except protest.²¹

The briefing showed a depth of thought on the South China Sea far exceeding the *small*-Australia views of the day. This "nuisance" factor was explained further with the briefing suggesting the possible construction of airfields, radar and radio intercept stations as well as surface-to-surface and surface-to-air missiles on the islands, but questioned their efficacy.²²

The 1959 Australian declassified document noted:

Although it would be possible to build airfields on the larger islands, these would only be of limited value because of restrictions on the length of runways (maximum length would be about 5000' on Itu Aba) and the direction of the prevailing winds.

¹⁹ Ibid., 12.

²⁰ Bill Hayton, *The South China Sea: The Struggle for Power Asia*, (New Haven: Yale University Press, 2014) 91-93.

²¹ Ibid., 13.

²² Ibid.

However, looking further ahead to vertical take-off fighters and surface-to-air and surface-to-surface missiles the islands could become more useful, provided, of course, the occupying power was able to guarantee adequate logistic support.²³

And continues:

If air warning radars or radio intercept stations were erected in the Paracels it would extend considerably the cover which the Communist Chinese now enjoy from stations on Hainan and in North Vietnam. Bases in those islands would probably also have similar advantage to the West.²⁴

In conclusion it noted:

Provided the United States maintains its present air and sea supremacy in the area, it could, if it wished, quickly neutralize any Communist Chinese Military bases on the islands.

After the briefing had been circulated in Australia's policy community, the briefing was forwarded to the Australian Embassy in Washington for discussion with the U.S. State Department. The response from U.S. officials left a lot to be desired. A cable (SAV.489; Secret; 30th August 1959) from the Australian Embassy quoted the Deputy Director of Chinese Affairs as saying that on the island disputes in the South China Sea, the "United States policy was one of 'let sleeping dogs lie'."²⁵ As a scribbled note from an Australian official on an archived copy of the cable recorded, "Politically, this is not a very satisfactory outcome."²⁶

The National Archives of Australia also catalogue intelligence sharing on the disputed islands between Canberra and London from the same period.

²³ Ibid.

²⁴ Ibid.

²⁵ National Archives of Australia, "Islands in the South China Sea - Spratly-Nansha - Paracel-Sisha - Pratas-Tungsha - Macclesfield-Chungsha [413 pp]," NAA: A1838, 526/1 PART 1 [Series number : A1838, Control Symbol 526/1 PART 1], accessed December 28, 2015, <http://recordsearch.naa.gov.au/SearchNRRetrieve/Interface/ViewImage.aspx?B=553110>. 23.

²⁶ Ibid., 34.

Australia’s prescient analysis on the disputes fell on deaf ears there, as well as in Washington. Almost sixty years later, and now faced with China-the-superpower instead of China-the-minnow, the document reads as if a blue print for China’s development of the islands. For Canberra, the briefing demonstrates a long held concern over the South China Sea as well as the failure and seeming unwillingness by the U.S., U.K., and France to seek a resolution to the disputes in a timely manner.

Indeed, much of what is documented in the archives is relevant today. In recent years this hesitancy to speak plainly on the disputes has given way to greater confidence and direct statement of Australia’s interests, as seen progressively in Defence White Papers from 1994 until 2016.²⁷

The White Papers 1976–2013

Australia’s defense white papers are, for all intents and purposes, the closest statement on grand strategy Canberra publicly provides. As such a review of how these papers have changed and their focus over the past half century, particularly in reference to the South China Sea, is telling. Early white papers acknowledged Australia’s fragile defenses. The 1976 DWP remarked: “Our alliance with the U.S. gives substantial grounds for confidence that in the event of a fundamental threat to Australia’s security, U.S. military support would be forthcoming.” In fact, it acknowledged that the country’s security would be “ultimately dependent on U.S. support.”²⁸ The 1976 paper, which detailed at length Australia’s alliance agreements, urged greater “self-reliance” – in place of a more forward defense posture – in Australia’s defense capability. As this “self-reliance” capability has increased in recent decades, a more outward looking posture has emerged. An analysis of the six DWPs

²⁷ Other white papers, outside of the scope of this paper, highlight domestic government policies that aim to strengthen Australia’s weight in the region. One such example is demonstrated in the 2015 White Paper on *Developing Northern Australia*. This paper outlined a plan to build a bigger population through to 2050 and a pivot to Asia through supporting the country’s growth in northern Australia.

²⁸ Australian Department of Defence, Defence White Paper 1976, 10.

from 1976 to 2013 found that there has been an increasing emphasis on regional security and regional engagement.²⁹

During the period between the production of the archival documents from the late 1950s outlined in the previous section and the 1990s there was less focus on the South China Sea, largely seen as a space to surveil between states rather than a theatre in itself. Indeed, this period was marked by a retreat to a “self-reliance” or “continental” defense posture, largely occupied with the defense of Australia’s northern approaches. This began to change in the more outward looking 1994 DWP. On the South China Sea the paper noted that “well-armed nations have competing territorial claims” over the Sea.³⁰ A cursory note on the territorial disputes followed in the 2000 DWP, “There remain a number of security issues, such as conflicting claims in the South China Sea, which will need to be handled carefully if regional security is to be maintained.”³¹ Perhaps more inspired, the paper noted that if China continued its 1994 trajectory of growth in the next fifteen years, “China’s economy will become the largest economy in Asia and the second largest in the world...[Beijing] is likely to continue to pursue its strategic objectives by a combination of diplomatic, political and economic means, underpinned by its growing military strength.”³² Yet this casual commentary wasn’t accompanied by any detailed roadmap on how Canberra should manage the region’s territorial disputes or China’s rise more generally. Instead, the 2000 DWP seemed to put the onus on the resolution of territorial disputes not on China but on Southeast Asia. In fact, such was the level of concern that the 2000 DWP mentioned China only a dozen times.

²⁹ Nicole Brangwin, Nathan Church, Steve Dyer and David Watt, *Defending Australia: A History of Australia’s Defence White Papers*, Foreign Affairs, Defence and Security Section, Parliament of Australia, August 20, 2015, Accessed August 16, 2016. http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1516/DefendAust

³⁰ Australian Department of Defence, *Defence White Paper 1994*.

³¹ Australian Department of Defence, *Defence White Paper 2000*, 20.

³² Australian Department of Defence, *Defence White Paper 2000*, 9.

It would be assumed that as tensions increased in territorial disputes in the region, that the 2009 paper would discuss in greater detail the hotly contested South China Sea, not the least as the Prime Minister of the day, Kevin Rudd, was a China scholar. Yet the Rudd government's 2009 white paper omitted naming the South China Sea altogether. In this absence however, there was far greater detail on and acknowledgement of Canberra's unease at the burgeoning strategic competition between the U.S. and China in the region and China's growing capabilities and intentions, particularly of the PLA/N.

What was soft in approach in the 2009 Paper was overt in 2012 and 2013. The Gillard Government's 2012 *Australia in the Asia Century White Paper* – which looked to reaffirm Australia's place in and strategic focus on Asia – acknowledged that the South China Sea and territorial disputes could pose "serious risks of conflict."³³ The Gillard government's 2013 DWP went further noting that "events in the South China Sea may well reflect how a rising China and its neighbors manage their relationships."³⁴ Indeed, as China's activities in the Sea became more brazen, Australia championed regionalism as a 'creative middle power' and began to speak more plainly on territorial disputes.

³³ Australian Government, *Australia in the Asian Century*, 2012, 73.

³⁴ Australian Department of Defence, *Defence White Paper 2013*, 12.

The State of the Play: Australia & the South China Sea Disputes

Today, as the country has engaged more deeply with the region, Australia has clearly acknowledged the crucial national interests it has in the South China Sea. First and foremost, as a democracy, any elected Australian government has an almost unparalleled obligation to safeguard its citizens' access to the global commons. This access could be considered the most important economic and social right for all Australians. By this logic, any action that obstructs Australia's access to these commons, including any A2/AD operation in the South China Sea, would constitute an attack on the interests of Australian citizens. Further to this more general interest, four key interests are intertwined and include the freedom of navigation, freedom of overflight in international airspace – in particular above the maritime domain – unhindered trade, and the maintenance of a rules-based order in the region. Arguably, the continuation of a rules-based regional order is the corner stone of all these concerns and of significance in Australia maintaining its own strategic space in the region. In a more contested regional environment, and in particular due to the region's territorial disputes, Australia has become more vocal on the issues it perceives to be in the national interest.

Speaking Plainly on Australia's Interests in the South China Sea

Under Prime Minister Tony Abbott, Australia was a vocal opponent of assertive Chinese actions in Asia, including the introduction of the Air Defense Identification Zone (ADIZ) over the East China Sea in 2014. In this instance, the Foreign Minister summoned the Chinese Ambassador for a

formal communication of Australia’s disapproval.³⁵ While Abbott was likely emboldened by a healthy eye-to-eye relationship with Japanese Prime Minister Shinzo Abe, it marked the beginning of stronger Australian rhetoric against territorial disputes in the region. Himself an ardent Monarchist, Abbott’s views more generally seemed to indicate a belief that Australia should play a backseat role in the global order. More explicitly on Australia’s place in the global order, he said, “Australia can’t change the world singlehandedly, and we shouldn’t try.”³⁶ Conversely, both his predecessor and successor, Kevin Rudd and Malcolm Turnbull respectively, have enshrined a bigger place for Australia in the world and particularly in Asia. In 2015 and 2016 this included speaking plainly on the South China Sea disputes. Yet as noted in community consultations in 2015 ahead of the 2016 DWP, Australia has publicly taken a “stand” but not taken a “side” in the territorial disputes in the South China Sea.³⁷

In one of his first speeches as Prime Minister, Malcolm Turnbull noted that Beijing’s “foreign policy in the South China Sea had been quite counterproductive.” He suggested that, “China would be better advised in its own interests....not to be pushing the envelope, and that is why there’s been resistance against that activity.”³⁸ Turnbull cautioned Chinese Premier Li at the East Asia Summit in 2015 not to “fall into a Thucydides Trap” – referring to the escalation of tensions and battle preparations that brought about the Peloponnesian War.³⁹ Under his government, Australia has been a vocal supporter of Freedom of Navigation operations (FONOPs) in the South China

³⁵ Australian Department of Foreign Affairs and Trade, “China’s announcement of an air-defence identification zone over the East China Sea,” Media Release, November 26, 2013, accessed November 28, 2013, http://foreignminister.gov.au/releases/Pages/2013/jb_mr_131126a.aspx?ministerid=4

³⁶ Nick Bryant, “Australia’s provincial reflex,” *The Interpreter*, November 5, 2014, accessed January 10, 2015, <http://www.lowyinterpreter.org/post/2014/11/05/Australias-provincial-reflex.aspx?COLLCC=1910985756&>

³⁷ Australian Department of Defence, *Guarding against Uncertainty: Australian Attitudes to Defence*, 2015, 18.

³⁸ John Garnaut, “Malcolm Turnbull outlines strategy towards China,” *The Age*, September 24, 2015, accessed November 24, 2015, <http://www.theage.com.au/comment/malcolm-turnbull-outlines-strategy-towards-china-20150924-gjtvts.html>

³⁹ Phillip Coorey, “Malcolm Turnbull tells China it risks a war in the South China Sea,” *Australian Financial Review*, November 22 2015, accessed November 24, 2015, <http://www.afr.com/news/politics/malcolm-turnbull-tells-china-it-risks-a-war-in-the-south-china-sea-20151122-gl4yra>

Sea. The annual AUSMIN consultations in 2015 offered a joint communiqué that urged claimant states to “halt land reclamation, construction and militarization” and for claimants to “exercise restraint.”⁴⁰

Turnbull’s statements in late 2015 followed numerous public statements of disapproval from Australia’s Department of Defence. Dennis Richardson, Australia’s Secretary of Defence, remarked earlier in 2015 that “The speed and scale of China’s land reclamation on disputed reefs and other features does raise the question of intent and purpose.” He added bluntly, “It is legitimate to ask the purpose of the land reclamation – tourism appears unlikely.”⁴¹ Richardson cautioned that greater activity in the area increased the potential for “miscalculation.”⁴² His comments followed the release of China’s Military Strategy White Paper and bookended similar rhetoric from Defence Minister Kevin Andrews who had earlier noted that “Australia has made clear its opposition to any coercive or unilateral actions to change the status quo in the South or East China Seas. These include China’s unilateral declaration of an ADIZ in the East China Sea, and large-scale reclamation activity by claimants in the South China Sea.”⁴³

Through to early 2016, Canberra had managed to balance relations between China and the U.S. Maintaining a consistent policy on the South China Sea supported this balancing act. Canberra was eager to publicly present a greater breadth to its foreign policy portfolio. One public pushback to this effect was demonstrated with the refusal to base U.S. B-2 bombers in Australia in 2015.⁴⁴ The Abbott government’s decision in 2014 to take the lead on the search for

⁴⁰ Joint Statement AUSMIN 2015, Australian Department of Foreign Affairs and Trade, October 13, 2015, accessed 15 September, 2016, <http://dfat.gov.au/geo/united-states-of-america/ausmin/Pages/joint-statement-ausmin-2015.aspx>

⁴¹ The Age, “China puts weapons on its new artificial islands,” May 28, 2015, accessed 24 November, 2015, <http://www.smh.com.au/national/china-puts-weapons-on-its-new-artificial-islands-20150527-ghaxa8>

⁴² The Age, “China puts weapons on its new artificial islands,” May 28, 2015, accessed 24 November, 2015, <http://www.smh.com.au/national/china-puts-weapons-on-its-new-artificial-islands-20150527-ghaxa8>

⁴³ Elliot Brennan, “Australia speaks plainly on South China Sea,” *The Diplomat*, May 29 2015, accessed 24 November, 2015, <http://thediplomat.com/2015/05/australia-speaks-plainly-on-the-south-china-sea/>

⁴⁴ The US Assistant Secretary of Defense speculated publicly on the question of B-2’s being based in Australia – according to reports he was off-script and speaking outside of his brief on the subject. Regardless, his comments necessitated a denial from Canberra that U.S. B2s would be based in Australia.

the missing MH370 plane, which included 152 Chinese passengers, appeared to be a boost for China-Australian relations in the Chinese public sphere. However, the most striking example of this, followed the sailing of the USS *Lassen* within twelve nautical miles of five maritime features in the Spratly Islands, including those claimed by China.⁴⁵ A matter of days after the highly controversial FONOP, two Australian frigates participated in live-fire exercises with the Chinese PLA/N, a series of exercises that have been conducted since 2010, and on their return from the exercise HMAS *Stuart* and HMAS *Arunta* passed through the Spratly Islands group.⁴⁶ While they didn't pass within twelve nautical miles, there were few rumblings from China.

At the same time, at the end of November 2015, a Royal Australian Airforce (RAAF) AP-3C Orion surveillance aircraft alerted Chinese PLA/N in the South China Sea to their presence and stated they were "exercising international freedom of navigation rights." Like the two frigates, the aircraft did not fly within twelve nautical miles of the artificial islands claimed by China. While the radio transmission and the flights themselves were routine⁴⁷ it demonstrated that Australia wasn't standing idle in the disputes. The Australian Defence Force (ADF) stated that the aircraft was conducting routine maritime patrols as part of Operation Gateway between November 25 and December 4. Indeed, such surveillance over the South China Sea by RAAF Orion aircraft has occurred for decades, as explicitly noted in the 1987 DWP.⁴⁸ However, as Peter Jennings, director of the Australian Strategic Policy

⁴⁵ USNI News, "Document: SECDEF Carter Letter to McCain on South China Sea Freedom of Navigation Operation" January 5, 2016, accessed January 7 2016 <http://news.usni.org/2016/01/05/document-secdef-carter-letter-to-mccain-on-south-china-sea-freedom-of-navigation-operation>

⁴⁶ Brendan Nicholson, "RAAF's China Sea flight warning," *The Australian*, December 16, 2015. accessed August 10, 2016, <http://www.theaustralian.com.au/national-affairs/defence/raafs-china-sea-flight-warning/news-story/8be97c48b0849ef509536c5f8bdbc81a>; Vice Admiral Tim Barrett, "Interdependence, Alliance and the winning edge," Lowy Institute, December 7, 2015 <http://www.lowyinstitute.org/publications/interdependence-alliance-and-winning-edge>

⁴⁷ Sam Bateman quoted in David Wroe and Philip Wen, "South China Sea: Australia steps up air patrols in defiance of Beijing," *Sydney Morning Herald*, December 15, 2015. Accessed August 10, 2016, <http://www.smh.com.au/federal-politics/political-news/south-china-sea-australia-steps-up-air-patrols-in-defiance-of-beijing-20151215-gloc2e.html>

⁴⁸ "Australia will also continue to...operate Orion long range maritime patrol aircraft from Butterworth to maintain surveillance over the South China Sea..."; Australian Department of Defence, *Defence White Paper 1987*, 7, 16.

Institute noted “nothing is routine in the South China Sea right now because of the heightened state of tension in the region...even the routine takes a higher profile.”⁴⁹

While the frigates attracted rather muted attention, the flight of the AP-3C Orion over disputed waters attracted significant media attention. The *Global Times*, a state-controlled newspaper, taunted in December 2015 that “it would be a shame if a [RAAF] plane fell from the sky [over Chinese claimed islands].”⁵⁰ Yet unlike the USS *Lassen* FONOP, there was little acknowledgement in Beijing and considerably less rebuke from Beijing to the RAAF overflight.

Perhaps most telling in 2015 were the different approaches the two allies took in asserting themselves in the South China Sea – the U.S. flights through the South China Sea and FONOP were to much fanfare, including the presence of a news crew on one over flight. An example of attempts to balance relations, in 2015 Australian action and rhetoric was far more sedate. One of the best examples of this was the 2015 visit for the annual defense dialogue by PLA Chief of General Staff, General Fang Fenghui to meet his counterparts at the Australian Defence Organisation, Chief of Defence Force Air Chief Marshal Mark Binskin and Secretary of Defence Dennis Richardson, as well as a separate meeting with Defense Minister Marise Payne.⁵¹ Despite the ADF’s large press corp, there was no immediate press release. The mainstream Australian media was up in arms when they were post-facto informed of the visit via a Chinese government press release.

⁴⁹ David Wroe and Philip Wen, “South China Sea: Australia steps up air patrols in defiance of Beijing,” *Sydney Morning Herald*, December 15, 2015, accessed August 10, 2016, <http://www.smh.com.au/federal-politics/political-news/south-china-sea-australia-steps-up-air-patrols-in-defiance-of-beijing-20151215-gloc2e.html>

⁵⁰ Matthew Doran and Bill Birtles, “‘It would be a shame if a plane fell from the sky’: China’s warning to RAAF over South China Sea flights,” Australian Broadcasting Commission, December 19, 2015, accessed December 20, 2015, <http://www.abc.net.au/news/2015-12-16/chinese-editorial-warns-raaf-planes-could-be-shot-down/7034664>

⁵¹ Press Release, “Visit to Australia by China’s General Fang Fenghui,” *Australian Department of Defence*, December 2 2015, <http://news.defence.gov.au/2015/12/02/visit-to-australia-by-chinas-general-fang-fenghui/>

However, despite several years of successfully balancing relations, 2016 appeared to be a turning point. Not only did the DWP sketch out a far more pessimistic outlook on the region but it backed it up with significant defense spending. If rhetoric from Chinese news media was sharp toward Australia after the release of the White Paper – following which Beijing accused Australia of holding with the U.S. a “Cold War mentality”⁵² – it became shrill following comments on the decision at the Permanent Court of Arbitration. On July 12, Foreign Minister Julie Bishop noted in a statement, “The Australian Government calls on the Philippines and China to abide by the ruling, which is final and binding on both parties.”⁵³ Beijing expressed its displeasure, its foreign ministry spokesperson noted he was “a bit shocked” by her comments labeling them “wrong.” But the true venting of anger came from Chinese state-backed news media.

In July 2016, in what was the most blustery rebuke in Chinese media of Australia in memory, a *Global Times* opinion-editorial, titled “‘Paper cat’ Australia will learn its lesson,” unleashed a vitriolic attack on Australia’s position in the South China Sea, and on the country as a whole.

Australia calls itself a principled country, while its utilitarianism has been sizzling. It lauds Sino-Australian relations when China’s economic support is needed, but when it needs to please Washington, it demonstrates willingness of doing anything in a show of allegiance.⁵⁴

It continued in a similarly threatening tone:

Australia is not even a “paper tiger,” it’s only a “paper cat” at best. Australia’s power means nothing compared to the security of

⁵² “Defense Ministry’s regular press conference on Feb.25”, People’s Republic of China’s Ministry of Defense, February 25, 2016, http://eng.mod.gov.cn/HomePicture/2016-02/25/content_4644803.htm

⁵³ Office of the Minister for Foreign Affairs, “Australia supports peaceful dispute resolution in the South China Sea,” Media Release, *Australian Government*, July 12, 2016, http://foreignminister.gov.au/releases/Pages/2016/jb_mr_160712a.aspx

⁵⁴ “‘Paper cat’ Australia will learn its lesson,” *Global Times*, July 30, 2016, accessed August 2, 2016, <http://www.globaltimes.cn/content/997320.shtml?amp&amp>

China. If Australia steps into the South China Sea waters, it will be an ideal target for China to warn and strike.⁵⁵

While Canberra didn't merit the editorial in the popular state-controlled and party-owned paper a response, it was met with push back from Australian journalists and analysts. In *The Australian* the Lowy Institute's Euan Graham wrote that the article was the "unmistakable tactic of a bully" and an "attempt to bully Australia out of the South China Sea." Continuing that Canberra wouldn't shift course in its long-held policy on the Sea.⁵⁶ The editorial marked a significant shift in rhetoric from China and seemingly signaled an end to a more measured rhetoric. A continuation of such rhetoric in Chinese state-backed media won't be well received by the Australian public and will likely impact on Canberra's ability to take a more nuanced position in relations with Beijing.

Australian Public Perceptions of the South China Sea Disputes

As preparatory consultations for the 2016 Defence White Paper noted: "Polling highlights that Australian's security perceptions of important regional countries, such as Indonesia and China, are increasingly complex and informed by perceived interactions with non-traditional and economic factors."⁵⁷ In private conversations in 2015, the former Prime Minister Abbott assessed that Australian views toward China are motivated by two emotions: "fear and greed."⁵⁸ An assessment that could be explained as the former leading to hedging and the latter to economic engagement. This wasn't dissimilar to Abbott's predecessor and China scholar Kevin Rudd's views. In a similarly leaked conversation with Hillary Clinton in 2009 he noted that his

⁵⁵ Ibid.

⁵⁶ Euan Graham, "Global Times spray is an attempt to bully us out of South China Sea," *The Australian*, August 2, 2016, accessed August 2, 2016, <http://www.theaustralian.com.au/opinion/global-times-spray-is-an-attempt-to-bully-us-out-of-south-china-sea/news-story/ebdf8f1f48cf62804a0a116dab4389c2>

⁵⁷ Australian Department of Defence, *Guarding against Uncertainty: Australian Attitudes to Defence*, 2015, 17.

⁵⁸ John Garnaut, "'Fear and greed' drive Australia's China policy, Tony Abbott tells Angela Merkel," *The Sydney Morning Herald*, April 16, 2015, accessed August 10, 2016, <http://www.smh.com.au/federal-politics/political-news/fear-and-greed-drive-australias-china-policy-tony-abbott-tells-angela-merkel-20150416-1mmdty.html>

policy was to integrate Beijing into the existing multilateral institutions "while also preparing to deploy force if everything goes wrong."⁵⁹ These private opinions by two former prime ministers, are reflected in wider Australian public opinion.

Australian public perceptions have over the past decade remained largely favorable of China. Polling by the Lowy Institute, released in July 2015 and ahead of the aforementioned incidents, suggests that threat perceptions of China in Australia until July 2015, and for the decade prior, were low.⁶⁰ The 2015 poll found that 39 percent of respondents thought that in the next twenty years Beijing would become a military threat to Australia.⁶¹ That marked the lowest response in more than five years of polling. The signing of an FTA between China and Australia just prior to that poll is very likely to have positively impacted this perception. Supporting that assumption is a polling result that found 77 percent of respondents agreed that Beijing was an economic partner.⁶² Somewhat counter-intuitively – and perhaps an indication of the absence of deeper thought in the mainstream public on the Australia-China relationship – in 2015, 66 percent of respondents agreed with the statement that, "Australia should do more to resist China's military aggression in our region, even if this affects our economic relationship."⁶³ Suggesting the view that positive economic-based relations should not be unconditional.⁶⁴ A strong majority of Australians, according to the Lowy Poll, have consistently acknowledged the importance of the U.S. alliance. However, early polls in 2016, ahead of the U.S. elections found that 45% of

⁵⁹ Ibid.

⁶⁰ Elliot Brennan, "Lowy Poll: Terrorism not China Australia's biggest concern," *The Diplomat*, July 2 2015, accessed January 7 2016, <http://thediplomat.com/2015/07/lowy-poll-terrorism-not-china-australias-biggest-concern/>

⁶¹ Ibid.

⁶² Ibid.

⁶³ The Lowy Institute poll did however demonstrate Australians resistance to becoming entangled in conflicts abroad. Some 84 percent of respondents stated that Australia should remain neutral in the event of conflict between China and Japan. This reflects a persistent view in the Australian public of a small Australia – a conflict-averse Australia that relies on allies to stabilize the wider Indo-Pacific.

⁶⁴ Ibid.

respondents thought 'Australian should distance itself from the U.S. if it elects a president like Donald Trump.'⁶⁵

Overall the Lowy Poll over the past decade has indicated that Australian views toward China are by-and-large favorable, contrary to suggestions made by some Chinese analysts, such as Wei Zongyou, that suggest that the Australian mindset is "prejudicial" toward China.⁶⁶ Perceptions, however, are not set in stone. Actions and rhetoric in 2016 by China have eroded much favorable sentiment. The 2016, Lowy Institute Poll, noted some of these shifts. It found that 74 percent of Australians were in favor of Australia conducting FONOPs in response to China's activities in the South China Sea.⁶⁷ Perhaps showing greater depth of understanding on the difficult position Australia was in, the 2016 poll found views remained tied of which relationship was more important China (43 percent) or the U.S. (43 percent).⁶⁸

Reports since the 2016 Lowy Poll was conducted suggest that public media is becoming more critical of the Australia-China relationship. This will impact heavily on wider public perceptions of China. In August 2016, the ABC reported that Chinese connected businesses had given A\$5.5 million to major Australian political parties between 2013 and 2015, making China the largest foreign-linked donor to both major parties.⁶⁹ Many of the individuals and their associated firms were found to have links with the Chinese Communist Party (CCP) or state-owned firms. Similarly, large Chinese bids for major investment in land and critical infrastructure in 2016, such as the bid to purchase a controlling stake in the state of New South Wales' energy grid – rejected due to national security concerns – will have significant impacts on how Australians view Chinese motives in the country. Indeed, the rejection

⁶⁵ Alex Oliver, *The Lowy Institute Poll 2016*, Lowy Institute, 2016, <https://www.lowyinstitute.org/lowyinstitutepollinteractive/australia-us-relations/>.

⁶⁶ Wei Zongyou, "Australia's Strategic Perceptions of China: Hedging or Balancing?," *China Institute of International Studies*, September 28, 2015, accessed November 15, 2015, http://www.ciis.org.cn/english/2015-09/28/content_8270358.htm

⁶⁷ Alex Oliver, *The Lowy Institute Poll 2016*, Lowy Institute, 2016, http://www.lowyinstitute.org/files/2016_lowy_institute_poll.pdf

⁶⁸ *Ibid.*

⁶⁹ Australian Broadcasting Commission, "Chinese donors to Australian political parties: who gave how much?," August 21, 2016, accessed August 22, 2016, <http://www.abc.net.au/news/2016-08-21/china-australia-political-donations/7766654>

of some of these bids by the Foreign Investment Review Board, suggests that Canberra's perception of Beijing may be shifting following an increase in Chinese investments in Australia and more assertive policies in the wider region.

Of similar impact on future Australian perceptions of China will be the conduct of overseas Chinese and Chinese community groups with strong links to the CCP in Australia. While often operating independently, there appears a growing view that parts of these communities are encouraged by Chinese government policy on issues such as the South China Sea. Following the award at the Permanent Court of Arbitration on the South China Sea in 2016, 1,500 Australian-Chinese residents protested in Melbourne with messages such as "the South China Sea belongs to China." Such protests, reminiscent of overseas Chinese protests during Mao's Cultural Revolution in other parts of Asia, are promoted through Australian-based Chinese language media, of which one analyst suggests approximately half are aligned with Beijing.⁷⁰

Similarly, a growing number of Australian journalists in mainstream media appear to have shifting views on China. Much of the press were previously besotted, holding largely favorable views of China driven by the economic promise of the country. This seems to be giving way to greater caution particularly following, under Xi Jinping, an increase of Beijing investment in and influence on leading Australian media, seen as peddling Chinese propaganda – including on the South China Sea disputes.⁷¹ In May 2016, Liu Qibao, Head of the CCP's Central Propaganda Bureau, visited Australia for the signing of string of media deals with Australian news media. The deal labelled by one analyst as a "landmark victory for the CCP" marks a major

⁷⁰ Prof John Fitzgerald quoted in Chris Uhlmann, "Australian businesses with close ties to China donated \$5.5m to political parties, investigation shows," August 21, 2016, accessed August 22, 2016, <http://www.abc.net.au/news/2016-08-21/australian-groups-strong-ties-china-political-donations/7768012>

⁷¹ "Fairfax prints Chinese propaganda," Media Watch, June 6, 2016. Ep. 19, accessed August 22, 2016, <http://www.abc.net.au/mediawatch/transcripts/s4476824.htm>; "ABC and the Great Firewall of China," Media Watch, May 9, 2016, Ep.15, <http://www.abc.net.au/mediawatch/transcripts/s4458872.htm>

turning point in China's influence in Australia's public sphere.⁷² At the time of writing, planned Chairman Mao tribute concerts in Melbourne and Sydney, organized by patriotic associations and business and community leaders in Australia, caused uproar in Australian media.⁷³ Among leading Australian academic voices and journalists alike, not to mention some sections of the Australian-Chinese community, these pursuits will be viewed as a breach of Australian sovereignty and values. Indeed, such pursuits combined with a more assertive Beijing in the South China Sea are likely to worsen public perceptions of China in coming years and create problems for Canberra in its relations with Beijing.

⁷² John Fitzgerald, "Australian media deals are a victory for Chinese propaganda," *The Interpreter*, Lowy Institute, May 31, 2016, accessed August 22, 2016, <http://www.lowyinterpreter.org/post/2016/05/31/Australian-media-deals-a-victory-for-Chinese-propaganda.aspx>

⁷³ Philip Wen, "Controversial Chairman Mao tribute concert sharpen Chinese community divide," *The Age*, August 22, 2016, accessed August 22, 2016, <http://www.theage.com.au/national/controversial-chairman-mao-tribute-concerts-sharpen-chinese-community-divide-20160821-gqxt3w.html>

Australia's Defense Spending & Strategy

The region's militarization, and in particular China's, is lost on no one. For the ADF, the region's militarization means it is at risk of losing its capability edge. The 2016 Defence White Paper notes that one of the key drivers of the increase to Australia's defense spending is to remain relevant amid increased regional military modernization and defense spending, particularly in the maritime realm. Between 2010 and 2014, defense spending in Asia rose from US\$270.6 billion to US\$344.2 billion.⁷⁴ Key to the spending increase announced in Australia's 2016 DWP has been the militarization of disputed islands in the South China Sea and the sharp increase in capability and spending in China in recent years.

Important in Australia's calculations on its posture over the South China Sea are the increasing capabilities, in particular to naval warfare, of the PLA/N. The immediate change to Beijing's coercive power, and thus its relevance in the South China Sea disputes, is more significant than the use of the capability itself. China's new capabilities and posture propelled Australia's announcement in 2016 of a significant new investment in defense spending that will reach 2 percent of GDP by 2020-21 and add \$30 billion to the country's defense budget between 2016 and 2025-26.

Australia's Defense Spending: The 2016 Defence White Paper

In 2016, as part of the Defence White Paper, the Department of Defence identified strategic drivers shaping the security environment to 2035. These comprised six key drivers, five of which are directly relevant to Australia's relations with China and its position on the South China Sea disputes: The relationship between the U.S. and China; challenges to the stability of the

⁷⁴ The International Institute for Strategic Studies, *The Military Balance 2015*, 209.

rules-based order; state fragility, including within Australia's immediate neighborhood; the increasing pace of military modernization in the region; and, the increasing security threats in cyberspace and space.⁷⁵ In contrast, the sixth – the growing threat from terrorism and foreign terrorist fighters to Australia's security – could allow scope for China-Australia cooperation, acting as an area for trust building in otherwise tense security relations. These identified challenges in Australia's long-term strategic outlook require new capabilities.

Incredibly given the changing environment, defense spending in Australia in the early 2000s slipped to a post-World War II nadir. As such, current spending reflects an atonement rather than simply an escalation in itself. This is made more important, and therefore the dollar figure more pronounced, by the recent surge in military spending across the Indo-Pacific region. Canberra appears to have turned a corner and is dedicating significant capital to improve and upgrade its defense capabilities. That much of this spending will go toward maritime defense reflects both domestic concerns on securing borders from irregular maritime arrivals, which have had significant impact on the polling of previous governments and by most estimates are likely to increase over the coming decade, and crucially to maintaining a sizeable deterrent in terms of naval power. Such spending has to a large extent only been possible given concern on both sides of the Australian government of China's increased military spending and greater assertiveness in the South and East China Sea. Breaking from past white papers, and a measure that was called for in community consultations during the development of the paper, it lays out a long-term funding model for defense spending.⁷⁶ This along with the bi-partisan support of the two major political parties demonstrates that Australia's new defense posture is here for the long-term. The strategic outlook of the white paper looks through to 2035. As the paper notes over the

⁷⁵ Department of Defence, *Strategic Drivers Shaping Security Environment to 2035*, 2016, Australian Government, accessed 16 August, 2016, <http://www.defence.gov.au/Whitepaper/AtAGlance/Strategic-Outlook.asp>

⁷⁶ Australian Department of Defence, *Guarding against Uncertainty: Australian Attitudes to Defence*, 2015, ix.

next two decades "a larger number of regional forces will be able to operate at greater range and with more precision than ever before." This logic supports a more forward leaning and technologically sound force posture.

The 2016 DWP, both a document for planning and signaling, gives some indication of its focus in its use of language: the term "rules-based order" is mentioned a staggering 56 times and, in contrast to previous white papers, China 53 times. The document however, painstakingly avoids great mention of the South China Sea in particular, only mentioning the South China Sea in three paragraphs. Rather, more tellingly all three of the stated Strategic Defence Interests in the white paper that "drive Australia's defence strategy" relate to the South China Sea: a secure, resilient Australia, with secure northern approaches and proximate sea lines of communication; a secure nearer region, encompassing maritime South East Asia and the South Pacific; and, a stable Indo-Pacific region and a rules-based global order.⁷⁷

For an island-nation, the first line of defense is the sea. The Royal Australian Navy's (RAN) role is therefore crucial to Australia's defense. It is maritime defense spending that is writ large in the 2016 DWP. Among the additions, were 12 new submarines, with a high degree of interoperability with the U.S. Navy, 3 *Hobart*-class Air Warfare Destroyers, 9 future frigates, as well as new Border Force patrol vessels. These additions and the scope of the white paper itself focus heavily on anti-submarine warfare, unsurprising given that submarines make up a large component of regional defense procurements. Supporting these acquisitions will be a larger Permanent ADF workforce, which will increase over the next decade to 62,400, the largest size since 1993.

The white paper also lays out new acquisitions for the RAAF including F-35A Lightning IIs, E/A-18G Growlers, in addition to a fleet of F/A-18 Super Hornets, Wedgetail Airborne Early Warning and Control and air-to-air refueling aircraft. The latter will support a wider area of operation for RAAF air combat and air strike capability. Air lift capability will similarly be

⁷⁷ Department of Defence, Defence White Paper, 2016 Australian Government, 2016, p 68, accessed March 5 2016, <http://www.defence.gov.au/whitepaper/Docs/2016-Defence-White-Paper.pdf>

enhanced to support combat and HADR operations. This will include 8 heavy lift C-17A Globemasters, 12 upgraded C-130J Hercules, 10 C-27J Spartans and 10 CH-47F Chinook helicopters. Armed medium-altitude unmanned aircraft will also be added.

Supporting the development of these new acquisitions is the Integrated Investment Program, equating to a A\$195 billion (~USD\$150b) investment through to 2025-26.⁷⁸ Through the program, numerous “enabling capabilities” – including people, critical infrastructure, ICT, and training and essential facilities – will be implemented to strengthen the future force. According to the Department of Defence, these projects make up the “critical investment” to deliver ships and submarines for the RAN as part of “a long-term plan for a strong and sustainable naval shipbuilding industry.”⁷⁹ As part of this plan, a continuous build of surface warships in Australia is planned, the first ever commitment for a permanent naval shipbuilding industry, and expected to sustain the industry for the next 30 to 100 years.⁸⁰ The Future Frigate program (SEA 5000), which will replace the ANZAC-class frigates, is expected to commence in 2020, under a continuous build. The Offshore Patrol Vessel (SEA 1180), which will replace the *Armidale*-class patrol boats – a key component of Australia’s Border Force – will commence a continuous build in 2018. Both these programs have been brought forward by three and two years, respectively.⁸¹ These programs are the corner stone of what Australia’s Chief

⁷⁸ *Integrated Investment Program*, Department of Defence, Australian Government, 2016,

<http://www.defence.gov.au/whitepaper/Docs/2016-Defence-Integrated-Investment-Program.pdf>

⁷⁹ Joint Media Release – Prime Minister and Minister for Defence – The Government’s plan for a strong and sustainable naval shipbuilding industry, 4 August 2015

<http://www.minister.defence.gov.au/2015/08/04/joint-media-release-prime-minister-and-minister-for-defence-the-governments-plan-for-a-strong-and-sustainable-naval-shipbuilding-industry/>

⁸⁰ *Ibid.*; Prior to this announcement, contracts with the ADF saw Australian Submarine Corporation, one of Australia’s largest shipbuilding organizations, rise up SIPRI’s Top 100 list of global arms-producing and military services companies in 2014 to 84th place, with total sales of US\$927m. Austal, another Australian shipbuilder responsible for, among others, the *Armidale*-class patrol boat, also featured in SIPRI’s Top 100.⁸⁰ Both companies, supported by the growth of the industry, have the future potential to fill contracts from the region.

⁸¹ *Ibid.*

of Navy has called the “largest reinvestment in our naval capability since Deakin [the Australian Prime Minister at the beginning of the 1900s].”⁸²

Most contentious was the replacement for the all-important *Collins*-class submarines. Twelve submarines will replace the aging *Collins*-class beginning from the late 2020s. As Graeme Dunk, manager of the Australian Business Defence Industry, noted it is in effect a decision for a “strategic dance partner for the next 50+ years.”⁸³ After significant deliberation, the supplier for the Future Submarine Project was selected to be France’s DCNS ahead of the Japanese *Soryu*-class boats, the favored option under the Abbott government. This selection acknowledged the numerous problems with the Japanese bid, both strategic and technical. Aside from the business case, that Tokyo had never filled such an order before, such a deepening of ties between Japan and Australia was expected to rile hawkish policy makers in Beijing. The selection of the French bid and a local build in South Australia will have its own strategic benefits on disputes in the region. With French territories in the Pacific, the bid supports French statements to reinstall itself in the region.⁸⁴ With key strategic interests in the South Pacific, and sharing a maritime border with Australia, this partnership will strengthen ties with a country with historical and well-documented claims to islands in the South China Sea. Indeed, Sam Bateman argued ahead of the decision that the award of the contract should be one of “grand strategy” that attempts to maintain Australia’s independence, not to be beholden to Japan.⁸⁵

Finally, and most intriguingly, the DWP 2016 for the first time stated Canberra’s involvement in the Five Eyes intelligence community between the U.S., New Zealand, U.K., Canada and Australia and focuses on intelligence

⁸² Vice Admiral Tim Barrett, “Interdependence, Alliance and the winning edge” Lowy Institute, 7 December 2015 <http://www.lowyinstitute.org/publications/interdependence-alliance-and-winning-edge>

⁸³ Graeme Dunk, “Submarines and ships - building, building, building!,” *The Strategist*, December 2, 2015, accessed December 5, 2015 <http://www.aspistrategist.org.au/submarines-and-ships-building-building-building/>

⁸⁴ In March 2016, Rear Admiral Bernard-Antoine Morio de ‘Isle, Joint Commander of the Armed Forces in French Polynesia, noted that French ships were committed to protecting its interests in the region, and would continue to conduct operations in international waters.

⁸⁵ Sam Bateman, “Australia’s submarine decision: a matter of grand strategy,” CSIS, February 23, 2016, accessed 17 February, 2017, <https://www.csis.org/analysis/pacnet-11a-australia%E2%80%99s-submarine-decision-matter-grand-strategy>.

cooperation, operational cooperation, working level exchanges, senior-level dialogue and science, technology and materiel cooperation. The public announcement in 2016, over half a century since the cooperation began and after numerous white papers, could be seen as a reminder to China's aggressive activities in the region of the depth of Canberra's security alliances. The acknowledgement of the Five Eyes agreement comes on the back of numerous high-level cyber-attacks on Australian government and businesses. Between 2007 and 2013 at least a dozen cyber-attacks on Australian businesses and government were attributed to China, that number is considered to be the tip of the iceberg.⁸⁶ In 2015 alone, the Australian Signals Directorate detected 1,200 cyber security incidents.⁸⁷ One of the most serious breaches came in 2011 when malware infiltrated the ministerial and parliament house ICT network and may have been active for over a year, the finger was pointed squarely at Beijing.⁸⁸ In tackling these new types of threats from aggressive cyber actors, cooperation will only increase in importance. Indeed, the DWP indicates that cooperation between Australia and its allies in the field of cyber and space warfare will continue, as highlighted by the relocation of a U.S. optical space surveillance telescope to Australia.⁸⁹ This cooperation is driven by concern over a more assertive Chinese foreign policy and its increasingly offensive actions in the South China Sea.

⁸⁶ Tobias Feakin, *Enter the Cyber Dragon Understanding Chinese intelligence agencies' cyber capabilities*, The Australian Strategic Policy Institute, June 2013, Issue 50, accessed January 3 2015, https://www.aspi.org.au/publications/special-report-enter-the-cyber-dragon-understanding-chinese-intelligence-agencies-cyber-capabilities/10_42_31_AM_SR50_chinese_cyber.pdf

⁸⁷ Department of Defence, *Defence White Paper, 2016 Australian Government, 2016*, p 52, accessed March 5 2016, <http://www.defence.gov.au/whitepaper/Docs/2016-Defence-White-Paper.pdf>

⁸⁸ Tobias Feakin, *Enter the Cyber Dragon Understanding Chinese intelligence agencies' cyber capabilities*, The Australian Strategic Policy Institute, June 2013, Issue 50, accessed January 3 2015, https://www.aspi.org.au/publications/special-report-enter-the-cyber-dragon-understanding-chinese-intelligence-agencies-cyber-capabilities/10_42_31_AM_SR50_chinese_cyber.pdf; Christopher Joye and Aaron Patrick, "Chinese spies may have read all MPs' emails for a year," *Australian Financial Review*, April 28 2014, <http://www.afr.com/news/policy/defence/chinese-spies-may-have-read-all-mps-emails-for-a-year-20140427-if7ag>

⁸⁹ Department of Defence, *Defence White Paper, 2016 Australian Government, 2016*, p 52, accessed March 5 2016, <http://www.defence.gov.au/whitepaper/Docs/2016-Defence-White-Paper.pdf>

Alliance and Partnerships

Australia's foreign policy tradition expects a continuity of alliance commitment. These alliance commitments were strong under the British Empire and continue today under the U.S. alliance system.⁹⁰ They could prove crucial in disputes in the South China Sea if signatories were attacked during freedom of navigation operations. But for Australia, with conflict closer to home and interests divided, these traditions are evolving, with greater depth of alliance with traditional allies and greater breadth of alliance with regional strategic partners.⁹¹

ANZUS Treaty

The ANZUS Treaty underwrites the U.S.-Australia alliance. The long-standing agreement, signed on 1 September 1951 and including New Zealand, is the foundation of the strategic relationship and at its inception sought to see the U.S. as the primary security guarantor of Australia in place of the languishing power of post-World War II Britain. The ANZUS Treaty takes on new significance with the increased chance of miscalculation in territorial disputes in the region.

Article IV of the Treaty states:

Each Party recognizes that an armed attack in the Pacific Area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes.⁹²

What precisely the term "act" would mean in the event of miscalculation in the South China Sea is unclear. The Treaty clarifies however that consultation

⁹⁰ Michael Wesley, *Australia's Interests in the South China Sea*, National Security College, Occasional 5 Brief 9, (Australian National University, 2013), accessed May 20, 2015, <http://nsc.anu.edu.au/documents/occasional-5-brief-9.pdf> 48

⁹¹ The Defence White Paper remarks heavily on partners and partnerships, noting 116 instances, and only on 23 occasions mentioning allies or alliances, and 9 occasions about "like-minded" partners and countries.

⁹² Commonwealth of Australia, "Security Treaty between Australia, New Zealand, and the United States of America," September 1951, accessed November 25 2015 <http://www.austlii.edu.au/au/other/dfat/treaties/1952/2.html>.

is required if “territorial integrity, political independence or security” of any of the Parties is threatened. The Treaty would be called upon in the event an incident at sea where an attack occurs on a U.S. warship, commercial vessel or aircraft.

In an analysis by the Australia-China Relations Institute on the Treaty obligations of Australia if conflict were to occur in the East China Sea, the authors’ conclusions as to whether the Treaty would apply in such an event were mixed.⁹³ The Treaty’s application to an event in the South China Sea, would likely find a similar mixed response that is dependent on the type of event and particular circumstances. Indeed, if under Article V an armed attack on any of the Parties territories or on its “armed forces, public vessels or aircraft in the Pacific” were to occur, there would be sufficient cause to invoke the Treaty.

It is plausible that if China wanted to test the U.S. resolve for conflict or felt Washington was sufficiently weak and sought to deal a blow to its alliance credibility in Asia, one course of action would be to attack an Australian vessel or aircraft. Indeed, this has been explicitly expressed by the *Global Times*, as previously discussed. This could be “direct,” such as the downing of an aircraft engaged in overflight in the South China Sea, or “indirect,” for example a similar style of vessel ramming by civilian ships in what it perceives as its territorial waters as seen on Vietnamese vessels in 2014. Such incidents could be chalked up as accidental, provoked or intentional. The enactment of the ANZUS Treaty would come into force if Canberra were to request U.S. assistance. In such an event, Australia may be reluctant to test the ANZUS Treaty unless the U.S. were sure to fulfill its obligations – a negative decision would have irrevocable and deleterious effect on U.S. engagement and alliance in the region. As such, Canberra must be clear and nuanced on what would invoke the ANZUS Treaty. It would do well to convey this to

⁹³ Nick Bisley and Brendan Taylor, *Conflict in the East China Sea: Would ANZUS Apply?*, UTS: Australia-China Relations Institute, November 2014, accessed October 15 2015, <http://www.uts.edu.au/sites/default/files/18924-acri-anzus-booklet-web.pdf> <http://soif.us6.list-manage1.com/track/click?u=373c24f3a82582657bc2865fc&id=70c715f5f3&e=4fc68a16ed>

others in the region, particularly those with close security relationships with Washington. Such a move would support the robustness of regional alliances in the event of conflict and act as the best deterrent against a Beijing-led, short and high-intensity war aimed at challenging or eroding U.S. alliances in the region.

According to Ben Schreer, a professor at Macquarie University, the benefits of the U.S. alliance for Canberra are primarily threefold: "the maintenance of a stable, favorable regional security order; U.S. security guarantees against an existential external threat; and, preferential access to U.S. military intelligence and weapons technology."⁹⁴ Indeed, Australia's defenses, like many in the region, are considerably weaker without the U.S. security presence and the current regional security architecture would be ineffectual without it. Australian public perceptions recognize the complexity of this relationship, and while perceptions of its benefits are shifting, there remains, as in the past, strong and continuing support for the alliance.⁹⁵ However, as the Department of Defence Community Consultation's paper points out, there are strong sentiments that Australia should "play a stronger and in some respects more demanding role within this [U.S.-Australia] security relationship."⁹⁶

Between Friends and Allies

Michael Fullilove, director of the Lowy Institute, believes Australia has already made its choice – "We have two friends [China and the U.S.] but only one ally [the U.S.]" Few in Australia would disagree. However, while this may be true from a socio-cultural-political point of view, it omits a crucial economic reality. Australia's economy is increasingly reliant on China. This picture has become even more complex in recent years as large amounts of Chinese investment have flowed into Australia, taking the place of the more

⁹⁴ Ben Schreer, "Australia Doesn't Have to Choose Between the U.S. and China," *World Politics Review*, December 1, 2015, accessed March 5, 2016, <http://www.worldpoliticsreview.com/articles/17331/australia-doesn-t-have-to-choose-between-the-u-s-and-china>

⁹⁵ Australian Department of Defence, *Guarding against Uncertainty: Australian Attitudes to Defence*, 2015, 35.

⁹⁶ Australian Department of Defence, *Guarding against Uncertainty: Australian Attitudes to Defence*, 2015, 35.

straightforward economic relationship based on the sale of commodities and purchase of consumer goods.⁹⁷ Australia's ability to meet the increased defense spending targets that will build stronger capabilities are also reliant on a business-as-usual trade relationship with China. In order to balance these two big actors and maintain these friendships, Australia needs to have a potent and interoperable defense force to support its alliance commitments and be prepared for a worst-case conflict scenario. At the same time, it must also have a strong omnidirectional foreign and economic policy that is clearly defined – one that is separate from any overtures or pressures from Washington. Indeed, serving both ally and friend necessitates a visibly independent foreign and economic policy and a decisive defense capability with a forward defense posture.

Events in 2016 appear to be a turning point and one that will push Australia to develop a clearer strategy in its relations with Beijing and quite possibly a more explicit Grand Strategy. Indeed, a continuation of the muddle-through “hedge and engage strategy” will do nothing to curb the growing militarization of the region and only appease territorial adventurism.

⁹⁷ This is a trend likely to continue in the region. Indeed, the promise of China's Belt and Road Initiative, while most likely to over promise and under deliver, would pull many in China's neighborhood deeper into strategic dependence relationships.

Concluding Remarks

The changing dynamics of the region over the past decade have increasingly nudged Canberra out of the slipstream of the projection of power and into a more omnidirectional foreign and economic policy. Most recently, provoked by rising instability and provocation in the region, this omnidirectional policy has been accompanied by increased defense spending and a forward defense posture. Beijing's more assertive actions under Xi Jinping have already pushed Australia to expand its engagements in its immediate neighborhood and to strengthen partnerships in the Indo-Pacific. These engagements will continue and intensify where Australian interests are challenged. The election of Donald Trump in the U.S., who is widely unpopular among the Australian public, will diminish the space in which the U.S.-Australia alliance can operate. Indeed, the shifting regional and global power dynamics are forcing Australia to think and act in ways not previously necessary. Maintaining a balance between friends and allies will remain the biggest challenge for Canberra for the foreseeable future.

The 2016 DWP predicts that China will not match the global strategic weight of the U.S. through to 2035 but that China's policies and actions will impact on stability of the Indo-Pacific until that date.⁹⁸ That's a big gamble. First, that the U.S. public and government will through to 2035 remain willing to maintain its global engagements. Second, that any number of black swan events don't knock the U.S. off course, or China on course. Regardless, even if China doesn't match the global strategic weight of the U.S. before 2035, the assertion seems to miss the reality of the current situation. Beijing's creeping militarization of disputed territories in the South China Sea will expand its sphere of influence and operation. To 2016, Australia, like the U.S., appeared

⁹⁸ Department of Defence, Defence White Paper, 2016 Australian Government, 2016, p 42, accessed March 5 2016, <http://www.defence.gov.au/whitepaper/Docs/2016-Defence-White-Paper.pdf>

only willing to meet this action with words of disapproval and a hesitant FONOP. With this lack of resolve, the FONOPs were used by Beijing to justify the militarization of Woody Island – a warning Beijing previously made known in stating U.S. Navy actions could lead China to “strengthen and hasten the buildup of our relevant capabilities” for the defense of the constructed islands.⁹⁹ As the U.S. Congress noted in a report on China’s Military Power, Beijing has employed an effective policy of “low-intensity coercion.”¹⁰⁰ In effect, Beijing has called the bluff and bluster of the U.S. government and continued undeterred. Beijing has similarly exposed the incoherence of Canberra’s own engage and hedge policy toward China, forcing Australia to react to individual incidents rather than impose a clear, long-term strategy for relations. The simplistic assertion made by the 2016 DWP may thus be misguided and neglect the greater agility of Beijing’s foreign policy and its ability to inflict a deft and effective coercive strategy in the region.

Beijing’s agility must be matched by Canberra. This should be matched in part with force – a militarily capable Australia is a less-vulnerable, more confident and more secure Australia. Indeed, in a changing region it would be folly to allow any strategic foreign policy shift to lessen Australia’s defense capabilities, nor its traditional alliances. Greater military, political and economic engagement with a diverse range of actors, including Beijing, should continue into the future. But Australia must be prepared to weather an economic storm, and diversify its economic partners in the region, likely at some cost, to bolster its strategic agility and diminish the risks of a reliance on its economic relationship with China. Regardless, economic engagement and integration should remain, until deemed otherwise, at the heart of Australia’s interactions into the region. Canberra should continue to support the emergence of new architecture – including RCEP, EAS and even AIIB – to

⁹⁹ Jim Sciutto and Katie Hunt, “China says it warned and tracked U.S. warship in South China Sea,” *CNN*, October 28, 2015, accessed 17 March 2016 <http://edition.cnn.com/2015/10/27/asia/us-china-south-china-sea/>

¹⁰⁰ Elliot Brennan, “China’s Dangerous \$5 Trillion Bet” *The National Interest*, May 14, 2015, accessed February 20, 2016, <http://nationalinterest.org/blog/the-buzz/chinas-dangerous-5-trillion-dollar-bet-south-china-sea-adiz-12887>

buttress the current rules-based system. Similarly, as Australia shifts from the mining boom, energy exports – including gas and coal, and supported by new gas export terminals set to come online from 2017 – will be crucial to Australia's influence in the region. They will require stability in the South China Sea if China and East Asia are to receive them. Mutual interests, such as these, must be continually reinforced. Not the least as if they cease to be mutual interests, they will become a liability for Canberra.

Supporting the U.S.' footprint in the Indo-Pacific, through greater force interoperability, improved agility of forces and enabling capability enhancements, particularly in the realm of cyber and space, will be important in lessening the burden on Washington to remain active in the region in the long-term. At the same time, a strengthened defense capability must be strongly backed by an uncompromising omnidirectional and independence of foreign and economic policy. However, unlike in the past, where China oversteps the mark and breaks with international norms, Canberra must be willing to "walk the walk" and engage in demonstrations of military force, such as undertaking multilateral FONOPs with the U.S. and other interested states. Where that line in the sand is drawn must be jointly arrived at, clearly delineated, and duly enforced. As Mike Scafton, a former adviser to the Minister for Defence Peter Reith, suggests, "the government might be inclined to elevate the avoidance of an East Asian war to the highest national interest. And make it the prime objective of Australia's foreign policy."¹⁰¹ If the threat of conflict continues to escalate, this may indeed prove the best course of action to protect Australia's national interests.

Indeed, establishing a grand strategy would improve coherence of policy and add weight to rhetoric, particularly on issues such as the South China Sea. Yet in order to do so, two of the core elements of such a strategy which currently remain directly at odds, economic interests and security interests, must be reconciled. Recent white papers suggest a preference for a continuation of the

¹⁰¹ Mike Scafton, "Who wins a war in East Asia?," *The Strategist*, Australian Strategic Policy Institute, August 23, 2016, <http://www.aspistrategist.org.au/wins-war-east-asia/>

U.S.-led, uncontested unipolar Asia, this is naïve and reckless. Instead, Canberra should prepare for a bipolar or multipolar region, as well as the least favorable scenario, a Chinese-led, unipolar region. Any document of grand strategy should be formed in light of these competing realities. Australian grand strategy should look to shape policy in its near region and in the multilateral system, where it can have the greatest impact. It should aim to diversify and diminish risks to its interests, while capitalizing on events that offer short-term windows for high-impact policy – such as was done in taking a leadership role in the MH370 search and rescue mission. More aggressive activities in the region from Beijing will make it easier for Australian politicians to sell a more assertive grand strategy to a largely apolitical and conflict averse electorate.

For Canberra, the battle between the region's two giants, and ultimately China's actions in the region, will be the driver of which of these changes, an omnidirectional foreign and economic policy or deepening defense cooperation and forward defense posture, leads Australia's engagement in the region. The South China Sea disputes will be the bellwether of how this battle plays out, and ultimately how Australia responds.

Author Bio

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