Australia’s Responses to China’s Strategic Engagement with East Asia

By John Lee*

EXECUTIVE SUMMARY

• China’s sustained military build-up, its anti-access/area-denial (or A2/AD) capabilities and its assertiveness in the East and South China Seas are causing the Australian government to look beyond specific threats to Australia from Southeast Asia and to consider risks to broader regional stability as a result of China’s rise.

• Australia is not powerful enough to significantly alter the balance of power in East Asia. But still as a formidable ‘middle power’ with an edge in innovation in Southeast Asia and an enduring and intimate security alliance with the United States, Canberra is examining asymmetric strategies in coordination with other like -minded powers (including those in Southeast Asia) to help manage China’s rise peacefully.

• At the same time, Australia will maintain and enhance capabilities required to constitute a ‘minimal deterrence’ against any Southeast Asian power seeking to violate the country’s northern approaches.
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INTRODUCTION
While potential security complications vis-à-vis Indonesia have long dominated Australian strategic calculations, the emergence of a more assertive China from 2010, especially with regards to its territorial and maritime claims in the East and South China Seas, has started to attract Australian attention.

Such Chinese assertiveness has caused Australian officials and strategists to think more deeply and widely about their country’s strategic interests in the region beyond its traditional priorities of ensuring its capacity to repel direct and hostile attacks to its territory, and preserving order in its traditional sphere of influence in the South Pacific.

This means that national security and strategic thinking has gone beyond defending Australian territory or maintaining order in the South Pacific, and has begun to consider issues pertaining to the East Asian regional order including:

- The role of the United States and the U.S.-led alliance system in upholding this order;
- The challenge that China poses to the regional order and possible disruptions to that order;
- What this means for Australian strategic, security and economic interests into the future.

CHINA AND THE CHALLENGE TO REGIONAL ORDER
Although the Australian government realises that China is an indispensable economic player in the region and has an enduring economic interest in regional stability, there is also growing recognition that China’s re-emergence will be accompanied by elements of competition in addition to cooperation. This is the case for a number of reasons.

First, China looms as the primary strategic and security concern because it is the first great power in East Asia to rise outside the U.S.-led alliance system since World War II. It is also the first time in the post-war period that a major economic and trading power in the region is emerging outside the U.S.-led security order. This means that while the economic and diplomatic integration of China into the region is a promising foundation for China’s self-described ‘peaceful rise’, it is unclear whether Beijing will remain a contented free-rider within a regional strategic structure hitherto characterised by American pre-eminence in the manner of Tokyo or Seoul who are U.S. allies – much less a ‘responsible stakeholder’.
Moreover, Australia is starting to take China’s official historical accounts seriously where once these were dismissed as harmless propaganda propagated by the Chinese Communist Party for domestic reasons. Unlike post-World War II Japan, China does not see itself as a ‘defeated’ power, rising from the ashes of a regional and global war, but one seeking to repair what it sees as a century and a half of humiliation and subjugation by foreign powers. This leads to the uncomfortable if understandable prospect that Beijing would be more willing to challenge aspects of a contemporary albeit still evolving regional and strategic order that it did not have a significant role in creating.

Finally, China’s sustained military build-up is now impossible to ignore. China dominates defence spending in the region. When Asia (including South Asia) is taken as a whole, China is behind 32.5% of military spending, followed by Japan at 18.9%, and South Korea at 9.2%. If one considers that the most powerful Southeast Asian countries such as Singapore, Indonesia and Thailand account for 3.1%, 2.5% and 1.7% of regional strategic expenditure respectively, Chinese military dominance over the region in budgetary terms is clear.\(^1\) While it is true that China’s size, growth and population naturally suggest a dominant share of defence expenditure in the region, it is also the case that spending on the PLA has been growing at rates exceeding GDP growth over the past decade,\(^2\) and is likely to continue to do so over the immediate future. In other words, the observation that China’s growing military capabilities is ‘natural’ does not soften the reality that Chinese military dominance over the region in spending terms will only increase.

Moreover, size matters because capabilities matter. Even if, as Australia is doing, one takes a neutral position on the credibility of the disputed maritime claims that variously involve China, Japan, South Korea, the Philippines, Vietnam, Brunei, Malaysia and Indonesia, China is the one country whose actions will have the greatest impact on stability in the region. Whereas these other countries including Japan would not have the capacity or inclination to seek to challenge U.S. naval pre-eminence in the region, China appears to have the ambition and possible means to do so. Whereas adventurism by Japan and South Korea is likely to be restrained by their reliance on the U.S. as a security provider, and whereas assertiveness by Southeast Asian nations is not likely to disturb the broader regional strategic balance due to their lack of military clout, China is not subject to either of these two constraining factors.


\(^2\) Ibid.
Finally, China’s military doctrine and highly tailored anti-access/area-denial (or A2/AD) capabilities are highly worrying for Canberra. These capabilities are based on advanced submarines, ballistic missiles, mines, cyber and other networked disruption enhancements specifically designed to deny U.S. forces the capacity to acquire and/or maintain sea-control over the so-called First Island Chain which surrounds China’s maritime periphery and stretches from the Kuril Islands in the Russian Far East to Japan, northern Philippines, Borneo and Malaysia.

Even if China’s military capabilities are largely unproven, the A2/AD approach is primarily designed to deter the U.S. from intervening in a theatre conflict in the Chinese periphery (e.g. the Taiwan Straits, East China Sea or South China Sea) by threatening to inflict prohibitive damage to U.S. naval assets; or failing that, to delay the arrival or reduce the effectiveness of intervening U.S. naval and air forces so that China can present any seizure of a disputed island or territory as a fait accompli within that window of time.³

Despite gaps in the PLA Navy’s ‘joined-up’ capabilities⁴ which mean that it will not be able to exercise sea-control for decades in its periphery, it is highly significant that the military balance has changed from one of uncontested U.S. naval supremacy to doubt over U.S. willingness to suffer significant military costs while protecting the territories and interests of its allies. As far as Canberra is concerned, fears of Chinese capabilities and assertiveness are an important factor motivating regional capitals such as Tokyo, Hanoi and Manila to upgrade their military capabilities to better defend their interests.⁵ The process of upgrading military capabilities could possibly revive and intensify military competition between dormant rivals and other Southeast Asian third party countries that had previously been held in check in the era of uncontested U.S. naval supremacy. This is an obvious concern for the Australian defence community which prioritizes military

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superiority over neighbouring countries in order to protect against any adversary advancing towards its territory.\(^6\)

**AUSTRALIA’S ASYMMETRIC RESPONSE TO CHINA’S REGIONAL STRATEGY**

The Abbott government is in the middle of writing a new *Defence White Paper* due for release in mid-2015. Although the document is still in the drafting stages, one of the inconvenient realities that the current government is explicitly wrestling with is the implication for the Australian Defence Force should the trend of economic growth in the region continue. According to 2013 figures, Australia’s defence budget is currently the fifth largest in the region. But the defence budgets of regional neighbours are likely to rise more rapidly in the future, meaning that Australia’s relative military weight in quantitative terms will decline. While it is true that the country’s military access to U.S. technologies, and integration with U.S. forces gives the Australian Defence Force a technological and inter-operability edge (in terms of working alongside the U.S.) compared to other countries in the region, the current government is nevertheless well aware that Australia’s status as a once dominant ‘middle power’ in East Asia, and the most formidable power in Southeast Asia, is slipping.

Budgetary and other realities mean that suggestions that Australia acquire the capacity to ‘rip an arm off a giant (i.e., a great power)’ through highly advanced cyber and intelligence awareness capabilities, strong air-strike capabilities (300-400 air-craft including F-35s), and a well-trained crew with some 20-30 submarines is beyond the country’s finances; and would dangerously provoke the great power whose arm Australia would seek to target (i.e., China.)\(^7\) But it is also true that Australia, still a formidable and highly capable regional power, cannot simply stand aloof while watching events unfold in the region which could threaten its interests, and seriously compromise its capacity to pursue its interests in Asia. The Abbott government is therefore seeking to craft a strategic and security role for Australia that takes into account budgetary realities (which the 2009 *Defence White Paper* failed to do) while maximising its impact in protecting and preserving the regional order and status quo.

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In light of these constraining realities, the key for Canberra is to pursue *asymmetric strategies* that can help manage China’s rise, even if they may not be decisive in and of themselves.

(a) Canberra’s view of China’s strategy in Asia

Given China’s strategic isolation in maritime Asia, Canberra believes that Beijing’s fundamental strategy consists of two interrelated approaches or pillars.

The first is to seek any opportunity to bind, circumvent, exclude or else bypass the U.S. which is militarily more powerful and strategically far better positioned (via its alliances and security partnerships). The second is to reorganise strategic relations and diplomatic negotiations such that the U.S. is excluded, and countries are channelled into dealing bilaterally with China. This helps negate China’s weakness as an inferior strategic and military player to the U.S., and plays to its strengths as the largest, fastest growing and arguably most powerful stand-alone Asian nation in the region. These approaches are manifest in a number of ways.

For example, Chinese criticisms of existing alliances as exhibiting a ‘Cold War mentality’ and as factors for instability are largely attempts at gradually diluting the regional appetite for hosting U.S. military assets in the region, as Beijing is aware that U.S. forward military positions cannot be sustained without these. The same can be said for its support for ‘new security concepts’ which are based on principles of ‘common and cooperative’ security rather than on exclusive alliances. Periodic statements by Chinese political and military officials that Australia must ‘choose’ between ANZUS and a better relationship with China are both an expression of Chinese frustration and a crudely executed strategy. In a similar vein, many commentators argue that Beijing views Seoul as a weak link amongst U.S. allies, and therefore a potential ‘swing state’.

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Multilaterally, China has long promoted institutions that exclude the U.S. like pre-eminent security regimes such as ASEAN+3, while attempting to deny the U.S. membership in emerging regimes such as the East Asia Summit (although this is now obviously a lost cause). In ASEAN forums that do include the U.S., China consistently attempts to exploit the ASEAN preference for consensus by dividing Southeast Asian members on issues pertaining to Chinese interests, thereby rendering these forums impotent and less relevant.

The ‘divide and negate’ strategy for ASEAN is complemented by Beijing’s insistence that maritime and other disputes (such as in the South China Sea and water rights in the Greater Mekong Region) are negotiated bilaterally with the individual disputant, rather than discussed multilaterally. This allows China to either intimidate a much smaller claimant during bilateral negotiations, or else use other tools of statecraft and seduction available to a much larger power. At the very least, the non-involvement of a more powerful third party like the U.S. allows China to delay any comprehensive settlement with minimal pressure exerted on it by larger powers, while it physically consolidates its claims: an approach some in Southeast Asia have described as ‘talk and take’.

(b) Towards an asymmetric Australian response

As a counter-strategy, the Abbott government seems to be increasingly convinced that it is in Australia’s overriding interest, and within its capacity, to complicate matters for China via a number of policies vis-à-vis Southeast Asia and Japan, which would fulfil the imperative of

15 Ian Storey, “China’s Bilateral and Multilateral Diplomacy in the South China Sea,” pg. 56.
minimising overt confrontation with, or provocation of, China. This can be achieved in a number of ways.

The first is to reaffirm and reinvigorate the ANZUS alliance. While this is already being done and will certainly be a central feature of the 2015 Defence White Paper, Australian strategic planners are clear that Canberra has an abiding strategic interest in ensuring that China is not in a position to challenge or erode key pillars of the existing U.S.-led alliance system, and that the health of ANZUS has a powerful demonstration effect on the rest of the region.

In this context, offering a realistic pathway towards increasing defence spending – which was at 1.59% of GDP when the Abbott government took office and is now at its lowest level since 1938 – provides a credible demonstration of genuine willingness and capacity to contribute meaningfully to U.S.-led coalition burden sharing in the region. In contrast, any overt ‘free-riding’ by coalition partners will raise doubts about the future viability of regional alliances.

Many countries in Southeast Asia are in what might be termed a ‘strategic holding pattern’—watching closely what other allies and long-standing partners of the U.S. are doing. So far, no U.S. ally or partner has strategically ‘turned’. On the contrary, most are transitioning away from pure ‘hedging’ against China to ‘balancing’ with America, even if there are significant differences between the preparedness of these countries to commit to ‘hard’ balancing strategies against China. Even so, the deepening of security relationships between the U.S. and its allies and

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16 All countries in the region are engaged in what might be termed ‘soft balancing’: the use of tacit, informal and institution-based approaches to raise the collective/political diplomatic costs on China of misbehaviour and over-assertiveness. An example would be the reliance of many Southeast Asian countries on ASEAN mechanisms and norms, and the continued support for a binding Code of Conduct in the South China Sea. A number of countries are engaged in so-called ‘internal balancing’: building up their own national defence capabilities without explicit reference to China. Singapore and Malaysia are two countries engaged in ‘internal balancing’, with Indonesia possibly heading in that direction given its interest in enhancing its submarine capabilities. A third group is engaged in ‘hard balancing’: building up capabilities, interoperability and security relationships with like-minded powers to help balance against growing Chinese military power even if China is rarely named as a military competitor. Japan, the Philippines, Vietnam and Australia would be in this category. Note that China is a major but not the only security concern of these countries. For example, Australia is also preparing for the emergence of potential competitors in Southeast Asia.

It is also interesting to note that countries engaged in ‘soft’ and ‘internal’ balancing such as Singapore and Malaysia know that pre-existing security relationships with the U.S. in particular – and exercises and other forms of military and strategic competition – can be readily upgraded to help counter China if the need arises; although these countries would prefer not to take that option.

Finally, the strategic directions of two American treaty allies – South Korea and Thailand – are somewhat ambiguous in their China-policy. Although both have upgraded their military relationships with the U.S. in
partners is widely welcomed as a force for stability, despite Chinese arguments to the contrary. A robust and invigorated ANZUS treaty allied relationship – combined with greater capacity for the Australian Defence Force in helping to police and enforce a rule-based maritime commons in parts of the Asia-Pacific – will increase confidence that one key alliance pillar of the San Francisco system is strong.

This will help the regional ‘strategic holding pattern’ to persist by encouraging potential ‘swing states’ to hold the line, continue balancing behaviours, and not to change their strategic trajectory towards China. If alliances and coalition operations function effectively, the capacity and perception of China’s ability to successfully challenge the strategic environment on any issue will be significantly weakened.

Second, and more than inter-operability and joint readiness with U.S. forces, Australia is likely to work harder to ensure that there is strong and broad support by key Southeast Asian countries for a robust and reinvigorated ANZUS alliance. Incongruously, the diplomacy surrounding the announcement in November 2011 to base up to 2,500 U.S. marines in Darwin was flawed, even if the strategy was sound. While Canberra and Washington viewed the decision as an important pillar of the widely welcomed U.S. ‘pivot’ or ‘rebalance’ to Asia, the failure to inform Jakarta about the announcement caused the latter’s Foreign Minister Marty Natalegawa to wonder aloud whether the arrangement would generate a “vicious circle of tension and mistrust.”

In reality, a stronger U.S. presence in Australia and other parts of the region is broadly in Indonesia’s (and Southeast Asia’s) interest. Jakarta’s complaints were issued as a diplomatic slap against Canberra’s lack of bilateral consultation and cooperation in defence matters as agreed in the ‘2006 Australia-Indonesia Agreement on the Framework for Security Cooperation’, otherwise known as the Lombok Treaty. One suspects the Australian diplomatic misstep occurred because the Julia Gillard government failed to grasp the strategic benefits of an upgraded relationship with the

recent years, they tend to ensure that enhanced military cooperation with the U.S. is not even implicitly referenced to countering China. Seoul’s focus is on deterring North Korea while Bangkok seems to be engaged in ‘hedging’ rather than ‘balancing’. These two countries also appear to share increasingly close political relations with Beijing.

U.S. to the region as a whole and not just to Australia, and therefore did not think to secure Jakarta’s understanding and agreement prior to the Darwin announcement.

Third, Australia will seek to integrate the strategic thinking shaping its bilateral relationship with Southeast Asian countries with its China-focused strategy, rather than treating these as unrelated components, with the goal of complicating China’s strategic calculations. By developing an ever denser albeit still patchy network of strategic and military relations in the region between countries with a common interest in strategic stability and upholding the status quo, Beijing’s strategic and diplomatic calculations in pushing the military envelope on controversial issues (such as claims in the South China Sea) will become fraught with uncertainties and unintended consequences that may damage Chinese interests.

The same logic is behind recent significant gains in the Australia-Japan security relationship. Besides Canberra’s interest in gaining access to Japanese submarine technologies, the advances in the bilateral security relationship, built on foundations laid in 2007 during John Howard’s last term, is very much about creating a denser network of bilateral security relations between like-minded nations in the region.

The determination to beef up the regional network of security relations also explains Australia’s interest in using the U.S. troop rotation in Darwin as a setting for joint military exercises with Indonesian, Malaysian, Singaporean, Thai and Filipino armed forces. It is anticipated that Beijing will also be invited to participate in some exercises. But this will be done on Australian and allied terms in the hope that such an approach will enmesh Beijing in a network of pre-existing and deepening relationships that entrench stability, and in the process encourage restraint from Beijing. In contrast, a region of unconnected strategic players professing neutrality or else indifference to the maintenance of the strategic status quo is much more likely to embolden Beijing, and offer

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incentives for it to behave more assertively, possibly causing it to overreach with disastrous consequences for all.

**CONCLUSION**

In terms of defence capability, the Australian Defence Force will still prudently ensure that it constitutes a minimal deterrent against any future Southeast Asian power seeking to violate Australia’s northern approaches – whilst abandoning the impossible hope that it can prevent countries from acquiring the capacity to attempt military operations within its approaches.

More broadly, Canberra’s goal is to align defence capability – which deals with possible threats – with strategic priorities that are increasingly focused on the implications of China’s rise for the regional order.

Australia is too small and weak to manage China’s rise alone. But Australia is one of the few advanced economies in the region, which will give it an innovation edge. It is also one of the few middle powers in Asia with considerable capabilities, and furthermore has an enduring and extremely intimate alliance relationship with the United States. This means that Australia is well placed to play a significant if understated role in refining the future regional order.