

# POLICY BRIEF

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## LIVING WITH THE DRAGON: WHY AUSTRALIA NEEDS A CHINA STRATEGY

### WHAT IS THE PROBLEM?

*If, metaphorically, Australia rode to prosperity on the back of a sheep in the last century, our skill in riding the Chinese dragon will determine our prosperity in this century. Yet despite its obvious importance, Australia has failed to grasp the full implications of China's meteoric rise or the risk of conflict in the Western Pacific. Our approach to China is fragmented, superficial, overly focused on raw-material exports, conflicted, ambivalent and under-resourced. Getting China wrong will have seriously detrimental consequences for our future security and growth.*

### WHAT SHOULD BE DONE?

*We need a coherent, national approach to China that matches means with ends and is informed by a clear appreciation of the drivers of Chinese strategic policy particularly in the Western Pacific, which is the most likely arena of confrontation between China and the United States. Kowtowing or muscling up to China are equally flawed strategies. Smart power and astute diplomacy are better ways of hedging against the prospect of a new hegemony in Asia.*

*A well-conceived and implemented China strategy would help focus the Government's mind on the broader significance of the Middle Kingdom's re-emergence as a great power, close the gap between our actions and rhetoric, and ensure that our objectives are achievable and consistent with our wider foreign policy and national security interests. The strategy should be shaped by the answers to four key questions: What do we want from China? What capacity do we have to shape China's policies? How can we maintain our freedom of action while benefitting from China's rise? What can we do to ensure that the United States and China avoid a hegemonic conflict in Asia and the Western Pacific that would be disastrous for regional order and economic growth?*

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Lowy Institute Policy Briefs are designed to address a particular, current policy issue and to suggest solutions. They are deliberately prescriptive, specifically addressing two questions: What is the problem? What should be done?

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**POLICY BRIEF**

**LIVING WITH THE DRAGON**

For the first time as a nation Australia confronts a powerful, confident China which has evolved from a threat to a partner and is now our most important source of international students and export market. In 2010, there were more than 150,000 Chinese students at tertiary institutions in Australia compared with 15,000 ten years ago. Merchandise trade with China is growing so rapidly that it will soon be larger than our third, fourth and fifth next largest markets combined.<sup>1</sup> This extraordinary rate of growth in trade is unprecedented and accelerating. Unfortunately, the full impact of this historic transformation is only vaguely grasped in Australia.

Aside from a frank and open debate about China we need to think strategically about the country that is more likely to determine our prosperity than any other in this century. One of the outcomes of a national China debate should be a China strategy which clearly articulates what we want from the relationship as well as understanding what China seeks. This strategy should aim to maximise the benefits to both countries while ensuring that each understands the limits to a partnership which is founded on many shared interests but fewer shared values, even though the values gap between Australia and China is less profound than it was thirty years ago.<sup>2</sup>

Foreign Minister and China hand, Kevin Rudd, has provided some much needed clarity on the long-term importance of China to Australia in his recent speeches.<sup>3</sup> But the Gillard Government, as a whole, has yet to formulate a China strategy and the signals we send to Beijing are, all too often, conflicted and confusing. A prime example is the 2009

Defence White Paper, which cannot seem to decide whether China, or the United States, is likely to emerge as the dominant regional state and singles out China for gratuitous advice about its international behaviour.<sup>4</sup> The White Paper reflects a broader strategic ambivalence about China. On the one hand we extol the benefits of an enhanced bilateral relationship while on the other we embark on one of the largest military build-ups in Australia's peacetime history, aimed squarely at a putative China threat.<sup>5</sup> Small wonder that some Chinese commentators are jaundiced about our protestations of friendship and believe our actions betray our rhetoric.<sup>6</sup>

An essential prerequisite to developing an informed China strategy is a better appreciation of the structural challenge to the international system of China's rise and the drivers of its foreign and strategic policy.<sup>7</sup> Neither is well understood in Australia, a failing which has impeded the development of a coherent, national approach to China and a vision for the future relationship beyond the important, but still narrow confines of our resources trade. Above all we need to better understand the dynamics of the rapidly evolving relationship between China and the United States, the states with the greatest capacity to shape Australia's security environment.

**What does history tell us about China's future behaviour?**

History tells us that a rising great power like China inevitably challenges the existing international order and by definition the place and power of the previously dominant state. Over the past 500 years, six of the seven

**POLICY BRIEF**

**LIVING WITH THE DRAGON**

hegemonic challenges to the existing order have led to serious conflict.<sup>8</sup> We also know that strong economic and trade links between aspiring and incumbent hegemony do not, of themselves, reduce the risk of conflict, as Britain and Germany demonstrated a century ago when their deepening economic interdependence failed to prevent them from going to war in 1914. So it would be a mistake to believe that strengthening ties between China and the United States make military conflict between them unthinkable.

A second insight concerns the nature of the Chinese state. Some liberals argue that the unique character, cultural identity and historical experience of China makes it intrinsically less aggressive than other nations – that the Middle Kingdom is an exceptional state and marches to a different foreign policy tune.<sup>9</sup> However, the proposition that China has historically been a less aggressive or expansionist state than its Western or Eastern counterparts does not withstand scrutiny. Like all powerful polities, and in common with the United States, China has a long tradition of territorial expansionism and of subduing or coercing neighbouring people and states. Although different in character from European colonialism, the end game of China's tributary state system was, nevertheless, the imposition of a Chinese suzerain over neighbouring people and polities, a point not lost today on fellow Asians.

While Beijing regards 'reunification' with Taiwan and the pacification of Tibet as an internal matter and the legitimate restoration of Chinese authority over ancestral lands lost through foreign interference, others see Chinese policies towards Taiwan and Tibet as

foreshadowing how a powerful China might seek to assert its hegemony over the region. Reversing the losses and humiliations suffered as a consequence of Western colonialism may appeal to Chinese nationalism and promise a measure of historical redemption. But China's revanchism has done little to build confidence that a *Pax Sinica* would be demonstrably fairer, more stable and peaceful than *Pax Americana*.

**A Chinese Monroe Doctrine?**

History aside, liberal hopes that the Middle Kingdom's rise would be essentially benign have been dampened by Beijing's more assertive recent behaviour, especially in the Western Pacific, bringing an abrupt end to China's fifteen-year charm offensive. Of greatest concern is Beijing's evident determination to aggressively defend its claims to disputed islands, waters and resources in the East and South China Seas, its continuing hard line on US arms sales to Taiwan and differences with the United States over freedom of navigation. China's relations with the other major Asian powers – Japan and India – have become increasingly testy and Australia's Southeast Asian neighbours are fearful that China will pay only lip service to regional egalitarianism as it becomes more powerful, economically and militarily. China's tolerance of North Korea's provocative actions also worries other regional states.

At the heart of anxieties about China's future military intentions is the People's Liberation Army's (PLA) ambitious 'Far Sea Defence' strategy, which leaves little doubt that China is determined to turn its three coastal fleets into a genuine blue-water navy capable of controlling

**POLICY BRIEF**

**LIVING WITH THE DRAGON**

the Western Pacific and eventually projecting significant maritime power into the central Pacific and the Indian Ocean.<sup>10</sup> The new doctrine signals a determination to break out of the so-called ‘first island chain’ – running from the Kuril Islands through Japan, the Ryuku archipelago, Taiwan, the Philippines to Malaysian Sabah and Sarawak on the island of Kalimantan [Figure 1]. If fully implemented, Far Sea Defence would allow the Chinese Navy to command not only the maritime approaches to China, but also the waters bounded by a ‘second island chain’ out to the northern Marianas and Guam, that has long been the exclusive preserve of the US Navy. Guam is also sovereign US territory.

Beijing’s strategic aim seems to be a Monroe Doctrine with Chinese characteristics, and it is acquiring the capabilities to realise this ambitious goal.<sup>11</sup> From a Chinese perspective this makes perfect strategic sense. After all, if a rising America could construct a Monroe Doctrine in the 19<sup>th</sup> century as a blunt, but effective instrument for keeping other powers out of the Western Hemisphere why should an ascendant 21<sup>st</sup> century China not seek a comparable outcome in the Western Pacific? The problem is that the PLA’s determination to push the US Navy as far from China’s shores as possible threatens to destabilise the regional balance of power and escalate tensions with Japan, as well as the United States.

**Figure 1**



Source: US Defense Department Annual Report to Congress 2010, p 23.

**POLICY BRIEF**

**LIVING WITH THE DRAGON**

However, despite impressive PLA force structure and operational improvements which may have already achieved their initial aim of deterring Washington from deploying aircraft carriers to the Taiwan Strait in any future crisis over Taiwan, it is important not to exaggerate China's military capabilities. There is no need to accept an emerging, but false view, that China is rapidly closing the military gap on the United States and already outguns its Asian neighbours. The reality is that the PLA Navy is still a long way from having a genuine power-projection capability, in the sense of being able to conduct and sustain large-scale combat missions far from China's shores. Most meaningful measures of comparative naval strength – tonnage; the number and quality of ships, submarines and aircraft; below deck vertical-launch missile systems, technological sophistication and C4ISR – still give the United States a substantial lead. It is unlikely that China could mount a serious challenge to US global maritime supremacy before 2035.<sup>12</sup> But it will certainly make life far more difficult for the US Navy in the littoral seas of the Western Pacific. This shift in the local military balance of forces is a development which Australia needs to consider carefully when determining its regional defence capabilities and strategic options.

**China's resource insecurity**

China's great-power aspirations and desire to regain its former place as Asia's predominant nation only partially explain its current behaviour. What has been missing from many traditional geopolitical explanations of China's focus on the Western Pacific is recognition of the economic importance that China attaches

to this vital waterway, which is a major conduit for international trade and a rich repository for minerals and marine living resources. By 2030, up to 80 per cent of China's oil and 50 per cent of its gas will be imported by sea, through the Malacca Strait, a classical maritime choke point due to the narrowness and shallowness of its approaches, the number of ships which pass through it daily and the Strait's vulnerability to interdiction or environmental blockage.<sup>13</sup>

The rate of growth in China's energy imports has few, if any historical parallels. In less than 20 years the country has moved from a net exporter to importing more than 55 per cent of its oil, with crude oil imports increasing by a staggering 17.5 per cent in 2010 alone.<sup>14</sup> Even China's enormous reserves of coal are insufficient to meet domestic demand. In a little-noticed development, China became a net importer of coal in 2007 and is expected to overtake Japan as the world's biggest importer of coal by the end of 2011.<sup>15</sup> A substantial proportion of its future coal imports will transit the South China Sea from mines in Australia and Indonesia. This resource vulnerability weighs heavily on the minds of Chinese decision-makers who in addition to worrying about terrorism, piracy and environmental disruptions to their energy supplies are acutely aware that their major competitor, the United States, exercises effective control over the Malacca Strait and most of the Western Pacific, through the extended reach of the US Navy.

**The strategic implications of China's rise**

Three broad conclusions can be drawn from this brief analysis of China's strategic ambitions and resource insecurities. First, it is increasingly

**POLICY BRIEF**

**LIVING WITH THE DRAGON**

evident that China's re-emergence as a great power will inevitably raise tensions with Asia's other resident powers and that competition between them will be at its most dangerous in the littoral seas of the Western Pacific, where the geopolitical and trading interests of China, the United States and Japan intersect. Second, strategic volatility is destined to supplant stability as the defining characteristic of Asia's future geopolitical landscape.<sup>16</sup> China's challenge to US maritime power in East Asia strikes at a deeply held American conviction that continued naval dominance of the Pacific is not only critical to US security, but also the nation's standing as the pre-eminent global power, and all but guarantees a countervailing military and political response. Third, China's ingrained sense of exceptionalism makes partnership and equality with other nations more difficult to contemplate and reinforces China's sense of entitlement and historical grievance that has not yet been salved.<sup>17</sup> Trust and cooperation are less easily established when states believe their fundamental values and interests are at risk from another's actions. The lack of mutual trust is the core problem in the US-China relationship.

If the risk of conflict between the United States and China in the Western Pacific is rising, Australia could face some difficult problems ahead. The nightmare scenario is a serious military confrontation between China and the United States over sovereignty or resource issues that forces us to choose between our major trading partner and ally. Conventional strategic wisdom holds that Taiwan and South Korea are the most likely catalysts for such a conflict but there is one other equally plausible scenario. Australia could be drawn into the unresolved territorial disputes in the South

China Sea should conflict there threaten Australia's substantial sea-borne trade with Northeast Asia, currently the destination of 55 per cent of our merchandise exports valued at over \$110 billion.<sup>18</sup> And if Australia were to become more closely intertwined with US military strategy in Asia and host the forward basing of significant US combat capabilities in hardened and dispersed sites around the country, China could decide, in the event of a wider conflict, to target these facilities with submarine or land-based ballistic missiles.<sup>19</sup> While each of these scenarios would currently be assessed as low-probability events, the risk is still significant and could increase rapidly with little warning time in the event of a sudden deterioration in Sino-US relations, a miscalculation on the Korean Peninsula and/or the Taiwan Strait, or a ratcheting up of tensions in the South China Sea.

**Muscling up to China**

One of the enduring fallacies of the 'Popeye' approach to China, favoured by some strategists and defence planners, is that a more muscular Australian Defence Force (ADF) could significantly shape the outcome of any conventional contest for regional supremacy between the major powers. Given the firepower at the disposal of China and the United States, a handful of Australian submarines – even nuclear powered – would make little strategic difference even if we could crew and maintain on station a high percentage of the fleet, which is a questionable proposition given the Navy's experience with the Collins Class submarines.<sup>20</sup> Building a defence force primarily to counter China's anticipated force-projection capabilities, or declaring an intent to destabilise

**POLICY BRIEF**

**LIVING WITH THE DRAGON**

China internally as part of a harder deterrent posture, are beyond Australia's modest defence capabilities and would needlessly jeopardise the stable, long-term relationship with China in which all Australian governments have invested heavily over the past three decades.<sup>21</sup> Operationalising such a policy would require a substantial increase in defence spending that would be costly, difficult to sell politically and would seriously distort the structure of the ADF, bearing in mind the many other defence tasks requiring funding and resources.

This is not to argue against prudent planning for the possibility of an aggressively expansionist China, however unlikely this may seem at present. Hedging is a historically tried and true element of national security strategy for small and medium-sized states. However, diplomacy and smart power are far more likely to yield results than a strategy based primarily, or exclusively, on hard power – particularly if exercised in collaboration with like-minded Asian neighbours who harbour similar anxieties but have vastly more experience in dealing with a powerful China. Japan, South Korea and India are influential regional players who share much in common with Australia, as evidenced by the growing strength of our bilateral security ties with these three Asian democracies. They will prove receptive strategic partners should China choose the path of conflict over cooperation. Six hundred million independently minded Southeast Asians is another reason why the Middle Kingdom would find it difficult to impose a new hegemony on 21<sup>st</sup> century Asia. So Australia should work more closely with ASEAN to hedge against this possibility.

**Concerts and power sharing**

The absence of any serious discussion about the attitudes and strengths of Asia's middle powers is a major weakness of much contemporary China analysis, exemplified by ill-considered calls for Australia to support a 'Concert of Asia' as the preferred mechanism for managing Asia's affairs. Drawing their inspiration from the post-Napoleonic accord of powers which controlled Europe for much of the 19<sup>th</sup> century, supporters of a 'Concert of Asia' maintain that in the absence of a dominant state, a contemporary Asian version of the European Concert holds out the best prospect for regional peace and stability. To 'be credible and enduring', however, only the strongest powers would be entitled to a seat at the table.<sup>22</sup>

One obvious problem with this formulation is the dubious assumption that Asia's smaller states, including Australia, would readily agree to have their individual or collective interests adjudicated by the large powers.<sup>23</sup> This runs counter to the whole thrust of Asian regionalism over the past two decades, with its emphasis on the empowerment of small states and the collective management of the region's security problems. It also ignores the global diffusion of power that has accompanied what Fareed Zakaria calls the 'rise of the rest'.<sup>24</sup> Robust middle powers, of which Australia is representative, are demanding a greater say in regional and international affairs and they are not going to easily accept a return to the great-power dominated past. Finally, it is difficult to see the major powers agreeing to accept a stewardship role of the kind envisaged in a Concert of Asia. Japan is too weak, China is unwilling and its political values too different, India is preoccupied with its own problems,

**POLICY BRIEF**

**LIVING WITH THE DRAGON**

Indonesia's geo-political ambitions are confined to Southeast Asia and the United States has neither the stomach nor resources to take on an enhanced leadership role in Asia.

What of the argument that the United States should accept the inevitable and share power with China as an equal? Paralleling the G-2 would be an Asia-2, allowing China and the United States to divide the region into spheres of influence in much the same way as a politically bifurcated Europe was managed by the United States and the Soviet Union during the early part of the Cold War. A more radical variant of this argument is the proposition that Australia should persuade the United States to recognise its declining capabilities by surrendering primacy to China 'and all that goes with it'.<sup>25</sup> While superficially appealing, because it holds out the prospect of a peaceful transition to a new international order, power sharing between the United States and China is unlikely to work for three reasons. First, no US administration, regardless of its political complexion, would voluntarily relinquish primacy to China and nor would China if the roles were reversed. Their values and political culture are too far apart for them to emulate the peaceful transition of hegemonic authority that Britain alone has managed since the beginning of the modern state system. Second, any formal attempt by Australia to pressure the United States into conceding power to China would be counter-productive, unnecessarily raising concerns about Australia's reliability as an ally and frittering away hard-won political capital in Washington on an initiative with virtually no prospect of success.

Third, China's new great-power status is hardly untrammelled. Nor is it guaranteed to endure,

for the country faces formidable environmental, resource and demographic constraints and a United States which, despite its current economic travails, shows no sign of lapsing into terminal decline. Sooner than it thinks, Beijing may have to confront the prospect of a resurgent United States galvanised by the Middle Kingdom's rise and determined to reassert its strategic interests, especially in the Western Pacific. It would be extremely risky to base our strategic policy on the flawed assumption that China will inevitably supplant the United States as the dominant Asia-Pacific power. Already, China's attempt to test Washington's resolve in the Western Pacific by 'periphery probing' has resulted in a predictably vigorous US response.<sup>26</sup> The US Navy and Air Force are already working on a response that seeks to suppress and blind China's anti-access/area denial (A2/AD) capabilities in the Taiwan Strait by means of an emerging 'Air-Sea Battle' strategy, which is rapidly gaining political traction in Washington.<sup>27</sup>

Proponents of power sharing are curiously reluctant to acknowledge the degree to which the United States has actually assisted, rather than impeded, China's re-emergence as a great power dating back to President Nixon's ground-breaking establishment of diplomatic relations with Mao's China in 1972. Far from seeking to contain China the United States, with Australia's full support, has repeatedly urged China to become a fully fledged member of the international community and take on commensurate leadership responsibilities.<sup>28</sup> Postulating a choice between confronting China and conceding primacy oversimplifies and mischaracterises the strategic options open to the United States. The challenge for Australia is

**POLICY BRIEF**

**LIVING WITH THE DRAGON**

working with others to persuade Beijing to pursue policies which are broadly compatible with our own and to understand the limits of our unilateral capacity to dissuade China from a course of action we do not support.

Should we be fearful that an assertive China might coerce Australia into complying with Beijing's world view so that we become a de facto member of an authoritarian, non-democratic Confucian-sphere? This risk should not be dismissed out of hand, for there is no doubt that a subtle process of conditioning is already taking place in which Australian business and political leaders are becoming more receptive and sensitive to Beijing's concerns. Chinese leaders have become much more effective users of their trade clout to obtain commercial and political advantage internationally. And among some developing and authoritarian states, China has been able to advance its strategic interests by dispensing aid free of political and behavioural strings. But China has not promoted the so-called Beijing consensus. Nor is it likely to do so because the push-back from opposing states would be too great. Even sympathetic nations show few signs of wanting to emulate the Chinese development model. Moreover, there is clear evidence that China's assertiveness over the past 18 months has alienated public and elite opinion globally, including in Australia, where 44 per cent of those polled by the Lowy Institute believe that China is likely to pose a military threat in the next two decades.<sup>29</sup>

**What questions should a China strategy address?**

These are some of the key considerations that ought to inform our thinking about relations with China, and their complexity and interconnectedness underline the need for a more strategic approach. A China strategy would help to focus the Government's mind on the opportunities as well as the many challenges presented by China's rise; close the gap between our actions and rhetoric; aim for greater clarity in declaratory policy; and ensure that our China objectives are achievable and consistent with our wider foreign policy and national security interests. The strategy should be shaped by the answers to four key questions.

*What do we want from China?*

What we want from China is a dynamic, multi-faceted relationship based on mutual respect and equality, which provides clear incentives for future bilateral growth at a sustainable pace. Given Australia and China's dissimilar political cultures and history, differences over values, ideology, trade, investment and high politics are to be expected and are unlikely to be resolved to either country's complete satisfaction. But neither are they fundamental, or so intractable that they preclude the development of a deeper and more broadly based relationship than currently exists. Internationally, it is clearly in Australia's interests for China to be a locomotive of growth and a force for stability in the region. If China feels that its access to critical raw materials is at risk, the danger is that mercantilist sentiment in Beijing could harden and aggravate resource insecurities throughout Asia. As a major supplier, Australia can play an

**POLICY BRIEF**

**LIVING WITH THE DRAGON**

important role in making sure that China's legitimate quest for energy and natural resources security does not become a zero sum game in which China's gain becomes everyone else's loss.

A satisfied, politically open and transparent China should also be a long-term policy goal, even though cynics will argue that these outcomes are unlikely or beyond Australia's remit. The narrower the values gap with China the more sustainable and stable the relationship will become, as democratic Indonesia reminds us. However, blunt criticism or public lecturing of China is unlikely to dissuade Beijing from walking a chosen path. Persuasion and quiet diplomacy almost always achieve better results as Australian governments of both political persuasions have long recognised. Of course, there are occasions when we will need to speak out publicly, especially on issues that directly impact on Australia's national security. Our message to China's leaders should be that a lack of transparency and sensitivity to others' core security concerns only promotes hedging behaviour which ultimately works against China's interests. But we should also be prepared to acknowledge that China has become a more responsible stakeholder in the international system than many of its critics allow, as evidenced by its cooperation with the United States on counter-terrorism and willingness to facilitate the Six-Party Talks on North Korea's nuclear weapons program. China's evolution from a revolutionary power to a responsible stakeholder is patchy, and far from complete, but it is trending in the right direction and warrants Australia's support and encouragement.

*What capacity do we have to shape China's policies?*

We tend to underestimate our influence in Beijing which has strengthened in tandem with Australia's new-found status as a reliable supplier of critical raw materials and as an attractive destination for Chinese students, tourists and investment. Australia is seen by China as an influential middle power, with an active foreign policy, whose alliance with the United States gives us greater regional clout than we would otherwise have. It should not be beyond any Australian government to leverage these assets to advance our growing China interests while resisting any attempt by Beijing to decouple us from our alliance with the United States, or to dilute our commitment to democratic values and human rights. Forcing Australia to choose between China and the United States would be a bad outcome for China as well as Australia. Since security always trumps trade, it is highly unlikely that Australia would preference China over the United States if a choice had to be made.

Our capacity to influence China would be far more assured if underpinned by a greater commitment to the relationship. Unfortunately, Australia has fallen away significantly after initially being quick out of the blocks at the start of China's boom. Many other countries – the United States, United Kingdom, France, Germany, Japan and Brazil, for example – are now investing more heavily in China by any meaningful measure of competitiveness, including diplomatic representation, language proficiency, student exchanges and foreign direct investment. None of this has escaped the notice of China's movers and shakers. A China strategy should address these deficiencies by

POLICY BRIEF

LIVING WITH THE DRAGON

ramping up the resources devoted to China with a view to elevating and entrenching Australia's position as a major player in the country.

*How can we maintain our freedom of action while benefiting from China's rise?*

Australia has much to lose from a uni-polar Asia or one dominated by the great powers. Our interests are too diverse and our independence too precious to entrust our security to any other state or group of states. Nonetheless, the US alliance is central to safeguarding Australia's security in a turbulent world because of the political, strategic, technological and intelligence benefits membership confers.<sup>30</sup> In conjunction with astute diplomacy, the alliance is still the best hedge against the possibility that China's rise may not be peaceful, and far preferable to a Concert of Asia, or an ADF on steroids. But the alliance needs an injection of new thinking, given the dramatically altered strategic circumstances confronting its members. It must avoid being seen as an anti-China grouping and continue to evolve away from the original US-centric, hub-and-spokes model towards greater cooperation and strategic interaction between the spokes.

Building a stronger security relationship with China does not have to be incompatible with our alliance obligations and ought to be part of a sensible recalibration of our national security policies. The nascent defence structures and exchanges already in place such as ship visits, military education and training and strategic dialogue should be increased at a pace comfortable to both countries and with an eye on comparable activities between China, the

United States, Japan and South Korea. And they should be closely integrated with the China-related activities of other parts of Australia's national security community, especially our intelligence, emergency management and police agencies.

*What can we do to ensure that the United States and China avoid a hegemonic conflict in Asia and the Western Pacific which would be disastrous for regional order and economic growth?*

Australia could help defuse mercantilist tensions by encouraging China to actively pursue the joint exploration of resources in contested areas of the South and East China Seas. This ought to include the establishment of a maritime regime which would include 'no-go' areas for fishing vessels around disputed islands aimed at preventing collisions and incidents at sea. The heart of the regime would be a suite of measures for trust building, conflict prevention and crisis management. Although tried before, previous attempts to develop trust have lacked substance, ambition and above all, China's commitment.

Persuading Beijing to rethink the political and military strategy it is pursuing in the Western Pacific would also help. Since we cannot do this alone, it will be necessary to enlist the support of other countries in the region. Like any other state, China is perfectly entitled to modernise its armed forces and protect its legitimate security interests. However, the means chosen to protect these interests in the Western Pacific have been palpably contrary to their desired ends, alienating neighbours, raising international concerns about China's strategic ambitions and provoking hedging behaviour in

POLICY BRIEF

LIVING WITH THE DRAGON

the region. There is every possibility that the United States will respond to China's strategic challenge in a way that could inadvertently fuel a classical arms race, drawing in other nations who feel threatened by China's rising military might.

We should use our good offices to persuade the Obama Administration that it should more explicitly recognise China's resource anxieties and concomitant desire to take on greater responsibility for sea-lane protection in the Western Pacific. A blue-water navy is a natural corollary of China's growing economic and strategic weight just as the growth of the US Navy heralded the emergence of the United States as a major power in the 20th century. Any attempt to demonise China would be counter-productive to US strategic interests in Asia, undercutting moderates in the Chinese leadership and encouraging a reciprocal response that would aggravate existing tensions. We should make the point to Washington, as well as Beijing, that avoiding worst-case outcomes will require a sustained, long-term commitment to trust building and preventative diplomacy, and the establishment of an efficacious system of risk management that can prevent local disputes and incidents from escalating into major conflict between them. This includes convincing Beijing of the need for arrangements to reduce the risk of further dangerous maritime incidents in the Western Pacific because they could fuel tensions and precipitate serious regional conflict.

Without a considered and well-resourced China strategy, Australia will struggle to manage a relationship which will only grow in importance and complexity with each passing

year. Getting China wrong because of neglect, inertia, paranoia or naivety is not an option for a clever country.

NOTES

<sup>1</sup> Speech by Australia's Ambassador to China, Geoff Raby, Towards 2020: the next decade of Australia-China cooperation, Flinders-Nankai Conference, Tianjin, 7 November 2010:

[http://www.china.embassy.gov.au/bjng/10112010speech\\_en.html](http://www.china.embassy.gov.au/bjng/10112010speech_en.html). The combined percentage of Australia's merchandise trade with the US, Korea and India – our third, fourth and fifth most important partners – is 18.4% compared to China's 22.1%: <http://www.dfat.gov.au/geo/fs/#u>.

<sup>2</sup> On the virtues of a grand strategy, see Alan Dupont, *Grand strategy, national security and the Australian Defence Force*, Lowy Institute Perspectives, May 2005, pp 1-8.

<sup>3</sup> In particular, Kevin Rudd's speeches: Australia-China 2.0, the next stage in our economic partnership, Guangdong University of Foreign Studies, Guangdong, China, 22 May 2011: [http://www.foreignminister.gov.au/speeches/2011/kr\\_sp\\_110522.html](http://www.foreignminister.gov.au/speeches/2011/kr_sp_110522.html); Australian Foreign Policy and the Asia-Pacific century, The Brookings Institution, Washington DC, 3 May 2011:

[http://www.foreignminister.gov.au/speeches/2011/kr\\_sp\\_110503.html](http://www.foreignminister.gov.au/speeches/2011/kr_sp_110503.html); and Australia's foreign policy priorities and our candidature for the UN Security Council, National Press Club, Canberra, 1 June 2011:

[http://www.foreignminister.gov.au/speeches/2011/kr\\_sp\\_110601.html](http://www.foreignminister.gov.au/speeches/2011/kr_sp_110601.html).

<sup>4</sup> Australian Defence Force White Paper 2009, *Defending Australia in the Asia-Pacific century: Force 2030*, p 34:

[http://www.defence.gov.au/whitepaper/docs/defence\\_white\\_paper\\_2009.pdf](http://www.defence.gov.au/whitepaper/docs/defence_white_paper_2009.pdf).

POLICY BRIEF

LIVING WITH THE DRAGON

<sup>5</sup> US Secretary of State Washington Confidential Cable 09STATE30049, Conversation with Australian Prime Minister Kevin Rudd, March 28, 2009, *Wikileaks Cablegate*, Released 4 December, 2010:

<http://www.wikileaks.ch/cable/2009/03/09STATE30049.html>; Cameron Stewart, Military ambitions, *The Weekend Australian*, 2-3 May 2009, p 17.

<sup>6</sup> An editorial in China's *Global Times* preceding Prime Minister Julia Gillard's April visit to China, is representative. Redefining Australia-China ties, *The Global Times*, 22 April 2011:

<http://opinion.globaltimes.cn/editorial/2011-04/647470.html>.

<sup>7</sup> Among those most optimistic that China's rise will continue are: Martin Jacques, *When China rules the world: the rise of the middle kingdom and the end of the western world*, London, Penguin Books, 2009; Robert Kaplan, The geography of Chinese power: how far can Beijing reach on land and at sea? *Foreign Affairs*, May/June, 2010; Kishore Mahbubani, *The new Asian hemisphere: the irresistible shift of global power to the East*, New York, Public Affairs, 2008; James Kynge, *China shakes the world: a titan's breakneck ride and troubled future and the challenge for America*, New York, Houghton Mifflin, 2006; David M. Lampton, *The three faces of Chinese power: might, money and minds*, Berkeley CA, University of California Press, 2008; and Niall Ferguson, In China's orbit, *The Wall Street Journal*, 18 November, 2010: [http://online.wsj.com/article\\_email/SB10001424052748704104104575622531909154228-1MyQjAxMTAxMDAwNjEwNDYyWj.html](http://online.wsj.com/article_email/SB10001424052748704104104575622531909154228-1MyQjAxMTAxMDAwNjEwNDYyWj.html).

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[http://www.foreignpolicy.com/articles/2009/06/22/think\\_again\\_asias\\_rise](http://www.foreignpolicy.com/articles/2009/06/22/think_again_asias_rise) and Paul Monk, The gathering uncertainty: China and international society, *Quadrant*, December 2010, p 74, who points out

that China has fragmented and fallen many times in its history, even at the apogee of its primacy.

<sup>8</sup> Jia Quingguo and Richard Rosencrance, Delicately poised: are China and the US heading for conflict?, *Global Asia*, 1 January 2010:

<http://www.globalasia.org/print.php?c=e251>

<sup>9</sup> Jacques, *When China rules the world*, p 13.

<sup>10</sup> An informative discussion of China's naval thinking and strategy, including far sea defence, can be found in Nan Li and Christopher Weuve, China's aircraft carrier ambitions: an update, *Naval War College Review*, Vol. 63 (1), Winter 2010, pp 17-20: <http://www.usnwc.edu/getattachment/99679d4b-cbc1-4291-933e-a520ea231565/China-s-Aircraft-Carrier-Ambitions--An-Update>.

<sup>11</sup> In his annual message to Congress, US President James Monroe declared in 1823 that the US would not tolerate European interference in the internal affairs of the Western Hemisphere. The declaration can be viewed at:

<http://www.ourdocuments.gov/doc.php?flash=old&doc=23>.

<sup>12</sup> Sam Tangredi, *Futures of war: towards a consensus view of the future security environment, 2010-2035*, Newport RI, Alidade Press, 2008, pp 105-107.

<sup>13</sup> Andrew B. Kennedy, China's new energy-security debate, *Survival*, Vol. 52 (3), June-July 2010, p 139.

<sup>14</sup> China 2010 crude oil imports up 17.5 pct to record high, *Reuters*, 10 January 2011: <http://www.reuters.com/article/2011/01/10/china-oil-imports-idUKTOE70607320110110>; Wan Zhihong, Calls to tackle rising oil imports, *China Daily*, 23 August 2010:

[http://www.chinadaily.com.cn/china/2010-08/23/content\\_11186260.htm](http://www.chinadaily.com.cn/china/2010-08/23/content_11186260.htm).

<sup>15</sup> Asia: China's coal import boom to continue, *International Business Times*, 9 July 2010: <http://au.ibtimes.com/articles/20100709/asia-chinas-coal-import-boom-to-continue.htm>.

POLICY BRIEF

LIVING WITH THE DRAGON

<sup>16</sup> On the contours and dynamics of Asia's future security environment see Malcolm Cook, Raoul Heinrichs, Rory Medcalf and Andrew Shearer, *Power and choice: Asian security futures*, Lowy Institute for International Policy, 2010.

<sup>17</sup> Rosemary Foot, Neil McFarlane and Michael Mastanduno (eds), *US hegemony and international organisations*, Oxford, Oxford University Press, 2003, pp 129-130.

<sup>18</sup> Australian Government, Department of Foreign Affairs and Trade, *Country and region factsheets*: <http://www.dfat.gov.au/geo/fs/>.

<sup>19</sup> Ross Babbage, Australia's strategic edge in 2030, *Kokoda Paper* No. 15, February 2011, pp 89 and 107.

<sup>20</sup> The Navy has experienced a litany of maintenance, structural and command and control problems with the Collins Class submarines. The first of the new submarines is unlikely to be operational before 2025 by which time the Collins Class submarines will be 30 years old.

<sup>21</sup> Babbage, Australia's strategic edge in 2030, p 81.

<sup>22</sup> Hugh White, Power shift: Australia's future between Washington and Beijing, *Quarterly Essay*, Issue 39, 2010, p 24.

<sup>23</sup> For a balanced and illuminating discussion of the dynamics and possibilities of an Asian balance of power see Cook et al, chapter 2.

<sup>24</sup> Fareed Zakaria, *The post-American world*, London, Penguin Books, 2008.

<sup>25</sup> White, Power shift, p 38.

<sup>26</sup> Periphery probing is a term coined by Wes Mitchell and Jakub Grygiel to describe attempts by other powers to test US resolve and willingness to defend the boundaries of Pax Americana. See: A. Wess Mitchell & Jakub Grygiel, The vulnerability of peripheries, *The American Interest*, Vol.VI (4), March/April 2011, p 8.

<sup>27</sup> Anti-access (A2) is defined as 'enemy actions which inhibit military movement into a theatre of

operations.' Area Denial (AD) refers to activities that seek to deny freedom of action within areas under the enemy's control. Andrew F. Krepinevich, Barry Watts and Robert Work, *Meeting the anti-access and area deniable challenge*, Center for Strategic and Budgetary Assessments, 2003:

[http://www.csbaonline.org/4Publications/Archive/R.20030520.Meeting\\_the\\_Anti-A/R.20030520.Meeting\\_the\\_Anti-A.pdf](http://www.csbaonline.org/4Publications/Archive/R.20030520.Meeting_the_Anti-A/R.20030520.Meeting_the_Anti-A.pdf). The best unclassified exposition of the likely US response to China's military challenge in the Western Pacific is the article by Jan van Tol, Mark Gunzinger, Andrew Krepinevich and Jim Thoms, *AirSea battle: a point-of-departure operational concept*, Washington DC, Center for Strategic and Budgetary Assessments, 2010.

<sup>28</sup> See, for example, the speech by Robert Zoellick, when Deputy Secretary of State. Robert B. Zoellick, Deputy Secretary of State, Whither China: from membership to responsibility? Remarks to National Committee on U.S.-China Relations, New York, 21 September, 2005.

<sup>29</sup> *Media alert: Lowy Institute poll results*, Sydney, Lowy Institute for International Policy, 27 April 2011.

<sup>30</sup> For further thoughts on the value of the alliance see: Alan Dupont, The virtues of the US alliance, *The Sydney Papers*, Vol. 19 (4), Spring 2007, pp 53-58.



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