Is China's assertiveness in the South China Sea likely to affect Australia's national interests over the next ten years?

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Captain Goedecke commanded HMAS Townsville from December 2001 to July 2003. He then served as a Staff Officer in the Maritime Development Branch within Capability Systems Division, before attending the Australian Command and Staff Course in 2004. Later postings included Deputy Director in the Air Warfare Destroyer program, and Executive Officer of HMAS Watson.
In June 2007, Captain Goedecke was appointed Commanding Officer of HMAS Ballarat. He then Directed the Navy Electronic Warfare reform program, Project Phoenix, before assuming the post of Director General Navy Communications and Information Warfare. A posting to the Middle East followed, as Deputy Commander/Chief of Staff of CTF150, prior to returning to Navy Strategic Command as Chief of Staff. His most recent posting was within the Military Strategic Commitments Branch of ADF Headquarters.

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Abstract

This paper addresses the question of whether China's assertiveness in the South China Sea is likely to affect Australia's national interests over the next ten years. It notes that China has been demonstrating increasingly-assertive behaviour in the South China Sea, which has the potential to affect Australia's national interests through the pressure being placed on the framework of the rules-based global order, with particular implications for freedom of navigation within and through the South China Sea.

The paper argues that Australia will need to tread carefully in showing its resolve, not least in balancing the relative merits of strategic monogamy with the US against the increasing importance of its Asian economic relationships, notably with China. The paper concludes that Canberra's approach should not be a binary choice but a careful balancing of Australia's interests, which would also provide an opportunity for Australia to emerge as an influential player in contributing to the security and stability of the region.
Is China's assertiveness in the South China Sea likely to affect Australia’s national interests over the next ten years?

We need to match aspiration to capacity. We need to understand the way in which history has shaped current challenges. We need to understand strategic geography, as well as the character and temperament of our international partners.

Peter Varghese, Secretary of the Department of Foreign Affairs and Trade, August 2015

Introduction

The South China Sea is of significant geostrategic importance, and has been the focus of seemingly-intractable territorial disputes for decades. This semi-enclosed maritime area, comprising some 3.5 million square kilometres, is bordered by the coastal states of China, Taiwan, The Philippines, Vietnam, Malaysia, Brunei and Indonesia. It is home to a number of island groups, including the Spratly Islands, most of which are the subject of competing territorial claims. The disputes have increased in intensity in the last decade, largely as a result of China's increased assertion to its claims.

The South China Sea contains strategically-important sea lanes, which facilitate the essential trade that feeds the burgeoning economies of the region. Described by Robert Kaplan as 'the throat of the Western Pacific and Indian Oceans', the waterways of the South China Sea are vital to Australia’s interests, carrying the majority of its trade to major economic markets in China, Japan and the Republic of Korea. The region also has abundant fish stocks, as well as what is believed to be significant oil and gas reserves. However, it arguably is the volume of oil and natural gas imports which transit the sea lanes of the South China Sea that is more important than the resources beneath.

Since 2013, China has demonstrated increasingly-assertive behaviour in the South China Sea as a means to protect its sovereignty and safeguard the attendant maritime rights and interests, underscored by a strong nationalist fervour. This has the potential to affect Australia’s national interests through the pressure being placed on the framework of the rules-based global order, increasing regional tension and the likelihood of miscalculation, and with implications for freedom of navigation within and through the South China Sea.

This paper will analyse the extent to which China's assertiveness has the potential to affect Australia’s national interests over the next ten years. It will argue that this is a test, as much as an opportunity, for Canberra to articulate strategic policy that improves Australia’s standing in the region. The paper will contend that China's assertiveness is foremost about sovereignty, and that an equitable solution to the territorial disputes—at least for the foreseeable future—will accordingly remain elusive.

The paper will argue that while Australia has legitimate national interests in the South China Sea, it will need to tread carefully in showing its resolve, not least in balancing the relative merits of strategic monogamy with the US against the increasing importance of its Asian economic relationships. It will postulate that clear strategy and policy will be essential, acknowledging the dilemma that acting in Australia’s interests has the very real potential to negatively affect them. The paper will conclude by arguing that Canberra’s approach should not be a binary choice but a careful balancing of Australia’s interests, which would also provide an opportunity for Australia to emerge as an influential player in contributing to the security and stability of the region.

China’s assertiveness

China’s claims to sovereignty over the islands and features in the South China Sea are based on its contention of historical rights which pre-date the UN Convention on the Law of the Sea (UNCLOS). China argues that the map of the so-called ‘nine-dash’ or ‘U-shaped’ line, which is the
basis of its historical claim of sovereignty, has been in existence since before the People's Republic of China was established in 1949. China accordingly asserts that it has 'indisputable sovereignty over the islands in the South China Sea and the adjacent waters ... supported by abundant historical and legal evidence'.

Since 2013, China has undertaken unprecedented land reclamation activity in the South China Sea, resulting in the construction of a number of artificial islands, some of which host airfields, harbours and military infrastructure. During this period, the sovereignty disputes have been widely publicised, resulting in markedly-increased nationalist sentiment in several of the claimant nations, including anti-Chinese demonstrations in Vietnam and The Philippines. In China, nationalist sentiment has been the centre-piece of public opinion of the dispute, seemingly encouraged by actions such as the inclusion of the U-shaped line on newly-issued passports.

China's actions in the South China Sea, over a prolonged period, have been described as 'salami slicing', where a gradual accumulation of evidence of customary presence purportedly enhances China's claims to sovereignty in terms of international law, and works towards eventual settlement in its favour. Michael Wesley contends that China has a 'telocratic' approach, which is a trait common to the broader Asian region, where countries exhibit little interest in forging collective institutions to support liberal rules, and advocate not to interfere with the affairs of other states. Such an approach reinforces the primacy of national interests and the state's obligation to maintain stability and security without reliance on collective institutions.

China's attitude towards UNCLOS is illustrative. While China is a signatory to UNCLOS, it is unlikely that it will adhere to the conventions unless it provides an advantage. This is unsurprising when viewed through a telocratic lens, in that the motivation for China's signatory status is more likely a result of advantage gained from the importance given to islands under the development of UNCLOS since the 1970s. This may explain the increase in tension over the decades since, related to territorial sovereignty over the islands in the South China Sea.

The sea lines of communication in the South China Sea are vital for China's economic prosperity and energy security, with 80 per cent of China's crude oil imports passing through the South China Sea. When nationalist idealism over sovereignty and China's fear of encirclement are added, the prospect of a negotiated settlement seems remote. UNCLOS asserts that parties have an obligation to settle disputes by peaceful means. However, UNCLOS contains no such mechanism. And while the Permanent Court of Arbitration has jurisdiction for dispute resolution, its findings require acceptance of its authority by the concerned parties, which China has failed to concede in the Court's current hearing of an appeal lodged by The Philippines. This creates an uncertain regional environment, exacerbated by the build-up of naval forces and the increased risk of miscalculation, with important implications for Australia's national interests.

Australia's national interests

Security and prosperity are the foundation of Australia's national interests, based on a stable Indo-Pacific region, facilitated by a rules-based global order. Within that region—and indeed globally—Australia is uniquely situated, with the geographic advantage of relative isolation in the Southern Hemisphere, and the economic advantages associated with geographic proximity to Asia, which affords great opportunity for inclusive relations within the world's fastest growing economic region.

Australia is a heavily trade-dependent nation, and its economic security relies on the sea lines of communication that connect it with its trading partners. Nearly two-thirds of Australia's exports pass through the South China Sea, primarily to our three largest export markets in China, Japan and the Republic of Korea. Trade with ASEAN countries, some of which also transits the South China Sea, was worth over A$100 billion in 2014.

Notwithstanding this economic dependency on the markets of Asia, Australia's cultural and historical ties see its deepest and most enduring links with key Western nations, best represented by the strength of its enduring security alliance with the US. Viewed optimistically,
this geo-political dilemma should offer opportunities for increased influence in the Asian region, with Australia potentially a bridge between East and West.

Deepening Australia’s relationship with the US through the crucible of its strategic alliance is also a core national interest. The ANZUS treaty with the US underpins Australia’s security and is vital to security and stability in the Indo-Pacific region. It also provides disproportionate influence and access to the US, which affords an opportunity to shape US activities in ways advantageous to Australia’s national interests. The same should also apply to Australia’s growing strategic relationship with Tokyo.

Australia’s national interests are, therefore, particularly enmeshed in the complexities of the South China Sea. Australia has close ties with China, particularly from an economic perspective, but also growing cooperation in defence and security issues. It also has longstanding economic and security ties with the US and Japan. Adding to the complexity is the deep-seated enmity between Japan and China, and the historical tensions between Japan and South Korea, as well as some residual ill-feeling towards Japan from some Southeast Asian countries as a result of its actions in World War 2. This puts Australia in a challenging position in terms of acting in its national interest, as some actions have the potential to adversely impact bilateral relations with one or more of its key partners.

**Australia’s policy and approach**

With the rise of China and growing concerns regarding China’s adventurism in the South China Sea, there has been some debate in Australia that it may soon have to choose between China and the US. But that may not necessarily be the case. Australia obviously must act in accordance with its national interests, which—at present anyway—involve maintaining the economic partnership with China for prosperity and the strategic alliance with the US to underpin Australia’s security.

In fact, the argument of needing to make a choice would seem to presuppose that—against the backdrop of Chinese assertiveness in the South China Sea—increasing Australia’s economic relationship with China at the same time as deepening its security relationship with the US, and countries like Japan, would be mutually incompatible. Yet that is exactly Australia’s current trajectory—and it seems to be working for now.

The challenge is how to continue to balance these arrangements. Criticism of Australia’s approach has included the notion that foreign policy has been indecisive, aimed at a hedging strategy to avoid offending any key partners. If considered through the rubric of Australia’s national interests, then it is the strength of these relationships, and firm, unambiguous messaging, which will allow the relationships to wax and wane in those instances where national interests diverge.

An example of such resolve occurred in 2013 when Australia’s Foreign Minister Julie Bishop spoke out against China’s unilateral declaration of an air defence identification zone in the East China Sea, saying that ‘the timing and the manner of China’s announcement are unhelpful in light of current regional tensions, and will not contribute to regional stability’. In support of Foreign Minister Bishop’s stance, John Garnaut asserted that ‘China does not respect weakness… When something affects our national interest then we should make it very clear about where we stand’.

During the later visit to Australia of Japan’s Prime Minister, Foreign Minister Bishop asserted that those who said that Australia had to choose between its security alliances and economic engagement with China had been proven ‘absolutely wrong’, noting that ‘there had been no economic fallout from that exchange’. However, notwithstanding the lack of economic consequence from that particular exchange, China has the potential to exert significant economic leverage over Australia, and it follows that any future miscalculation in foreign policy regarding the dispute in the South China Sea may not be cost free.
Despite the closeness of Australia’s security partnership with the US, there have also been occasions when Australian and US national interests have been at odds. The considerable criticism from the US of then Foreign Minister Alexander Downer’s comments in 2004 regarding Taiwan is such an example, where he indicated that in the event of a conflict with China, the ANZUS treaty would not necessarily apply. Although the comments generated apparent US outrage, there were no deleterious consequences to the alliance relationship. More recent sentiment that Australia’s security alliance should not necessarily be exclusive came from former Foreign Minister Gareth Evans in November 2015 who, while supportive of the alliance, opined that Australia should demonstrate a more independent approach in the region, particularly as it related to the US rebalance to the Asia-Pacific.

While Australia has continued to work towards strengthening the alliance to support the US pivot strategy, including agreeing to the rotation of up to 2500 US marines through Darwin for training and exercises, there nevertheless needs to be careful consideration of how assertive Australia’s actions should be in showing resolve towards Chinese actions in the South China Sea. The US has recently increased its presence in the region, including undertaking so-called freedom of navigation operations in disputed areas, with pressure increasing for Australia to take a similar stance. In October 2015 and January 2016, the US deliberately conducted separate freedom of navigation operations in the South China Sea, involving US Navy ships passing within 12 nautical miles of features claimed by China, Vietnam and Taiwan.

Unlike the US, Australia does not have a formal freedom of navigation program but exercises its rights to freedom of navigation and overflight in routine operations. Representations that Australia should show more resolve toward this issue and similarly conduct freedom of navigation operations in the South China Sea tend to oversimplify a complex issue, involving sovereignty claims by multiple disputants, and the quite separate issues of the classification of offshore features and legal application of maritime zones under UNCLOS.

Moreover, this impatience to be seen to be doing something tangible in response to Chinese assertiveness tends to obscure the reality that Australia has a great deal at stake and needs to carefully consider the best course of action according to its national interests, rather than falling into the trap of political syllogism. The risk of employing the logic of ‘being seen to do something’ in the form of formal freedom of navigation operations is that it is unlikely to achieve anything more than antagonising an already-sensitive China over territorial disputes it regards as sovereign territory.

Such a demonstration would be a step-change in Australia’s customary approach to exercising freedom of navigation, and risks unnecessarily damaging Australia’s relationship with China. It risks reinforcing China’s fears of encirclement, as well as further increasing tensions in the region and setting back options for stabilisation and resolution; it could also have a detrimental effect on Australia’s reputation and influence in the broader Asian region, compounding the perception of Australia as the ‘deputy sheriff’ of the US.

Further, the absence of policy on the status of features in the South China Sea makes it problematic to apply international law (or the provisions of UNCLOS) in conducting such operations. It would also seem prudent to await the outcome of the current hearing before the Permanent Court of Arbitration of The Philippines’ case against China to determine what, if any, rulings are relevant to future activities in the region. Finally, it might be instructive to reflect on James Cable’s seminal work, Gunboat Diplomacy, where he noted that ‘something done by one government does not have the same results as the identical deed of another’.

Conclusion

The seeming intractability of disputes in the South China Sea is due to a myriad of complex factors that make the resolution of sovereignty issues unlikely in the foreseeable future. It is far more likely that tensions will continue, with the focus of regional security and stability a question of management rather than resolution.
It has been argued in this paper that the desire to consider a binary choice as to what Australia should do in advancing its national interests in the South China Sea should be resisted in favour of balancing the complexity of Australia's interdependent security and economic relationships in meeting its strategic goals. The choices made by Canberra will need to ensure that Australia's position on the dispute and any pursuant actions do not result in unintended costs to Australia's important economic relationship with China, or compromise Australia's commitment to the US alliance.

The implications of strategic decisions such as joining the US in more coercive naval diplomacy need to be considered carefully. Exercising caution now, however, does not preclude Australia from exercising more decisive action, including the use of naval power, if it is in the national interest to do so. The Australian Government's decision, therefore, is not whether it is a choice of strategic monogamy with the US at the expense of Australia's key relationship with China—or whether to be a 'hawk' or a 'dove' in being seen to 'do something' to protect Australia's national interests in the South China Sea—but a matter of ensuring some political and diplomatic room to manoeuvre to pursue Australia's best interests.

For now, Australia can have it both ways. But it will need to espouse clearly Australia's national interests and be prepared to act to protect them, which includes courage and consistency in strategic decision making when its national interests diverge from those of its major partners. This means there may be times when exclusivity of Australia's strategic relationships may not be absolute.

Strong regional and bilateral relationships, underpinned by support for the multilateral institutions that promote the rules-based global order, will support these more difficult decisions and assist in making the outcomes more predictable. It is in Australia's national interests to leverage its unique relationships with the US and China to advantage, and to take a proactive leadership role in the Asian region—and use this influence to meet its goals of protecting Australia’s interests through contributing to the maintenance of order and stability in the Indo-Pacific region.
Notes


2 There are five main island groups: The Paracels, in dispute between China, Taiwan and Vietnam; the Pratas Islands, administered by Taiwan but also claimed by China; Scarborough Shoal, in dispute between China, Taiwan and The Philippines; the Natuna Islands, which have Indonesian sovereignty; and the Spratly Islands, claimed by China, Taiwan, Malaysia, Brunei, Vietnam and The Philippines: see Clive Schofield, ‘Adrift on complex waters’, in Leszek Buszynski and Christopher B. Roberts (eds.), The South China Sea Maritime Dispute: political, legal and regional perspectives, Routledge: London and New York, 2015, pp. 25-6.


5 Kaplan, Asia’s Cauldron, p. 171.

6 Zhang, ‘China’s South China Sea policy’, p. 73.

7 Department of Defence, 2016 Defence White Paper, Department of Defence: Canberra, 2016, pp. 32 and 45.


14 O’Rourke, ‘Maritime territorial and exclusive economic zone (EEZ) disputes involving China’, p. 16.


16 This includes rights of sovereign nations to claim territorial seas and exclusive economic zones, which provided considerable sovereignty and economic advantage to maritime states: see Anh, ‘Origin of the South China Sea dispute’, p. 21.

17 The US Energy Information Administration estimated that 4.5 million barrels of crude oil alone passed through the South China sea trade routes to China each day in 2011: see Anh, ‘Origin of the South China Sea dispute’, p. 26.

The Defence White Paper describes a rules-based global order as ‘a shared commitment by all countries to conduct their activities in accordance with agreed rules … [which] include respect for international law and adherence to regional security arrangements’: Department of Defence, 2016 Defence White Paper, pp. 15-7.


Bisley and Taylor, Conflict in the East China Sea, p. 63. Editor’s note: this paper was written before the Australian Government announced its decision to partner with a French firm to build the future submarines.


Bisley and Taylor, Conflict in the East China Sea, p. 52.


Bisley and Taylor, Conflict in the East China Sea, p. 57.

This refers to a doorstep interview with then Foreign Minister Alexander Downer in Beijing during a visit in 2004: see Bisley and Taylor, Conflict in the East China Sea, p. 16.


Bisley, ‘We should think carefully about an Australian FONOP in the South China Sea’.


Australia does not have a formal declaration regarding the geo-science/hydrographical status of many of the features in the South China Sea, which is essential for the determination of concomitant maritime zones. It therefore complicates the issue of conducting a US-type freedom of navigation operation.
