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Australia's interests in the South China Sea

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Introduction

The re-escalation of the disputes in the South China Sea in recent years has been met by a markedly hesitant stance on the part of the Australian government. Responding to a call by the Lowy Institute in 2012 for Australian diplomacy to be more creative in relation to the disputes, Foreign Minister Bob Carr told ABC Radio:

I don't think it is in Australia's interest to take on for itself a brokering role in territorial disputes in the South China Sea. I don't think that is remotely in our interest, I think we should adhere to the policy we have got of not supporting any one of the nations making competing territorial claims and reminding them all that we want it settled, because we have a stake in it – 60 per cent of our trade goes through the South China Sea.¹

Despite Carr's more positive comments subsequently,² it is not hard to argue that Canberra has chosen to take a highly risk-averse approach to the South China Sea, emphasising that it has no direct interests and urging all parties to find a peaceful solution. In trying to remain neutral, the Australian government has chosen to support ASEAN's call for a Code of Conduct, an approach opposed by one of the interested parties, China.

In some ways, Canberra's approach to the South China Sea is a metaphor for the growing pusillanimity of Australian diplomacy in the twenty-first century – a characteristic that may derive from the rising risk-aversion of its political culture as a result of the China boom.³ This is in marked contrast to past decades, when Australia's creative diplomacy has had a material impact on the resolution of disputes in which it had no direct material interest – but in which at the time it discerned broader interests at stake.

1 Radio Australia Transcript, 30 July 2012, <http://www.radioaustralia.net.au/international/radio/program/connect-asia/australia-should-stay-out-of-south-china-sea-dispute-says-carr/987932>

2 Edna Curran, 'Bob Carr: Australia Can Help Defuse South China Sea Tensions,' *Wall Street Journal*, 14 September 2012.

3 Michael Wesley, 'Australia and the China Boom' in James Reilly and Jingdong Yuan (eds) *Australia and China at Forty*, Sydney: UNSW Press, 2012.

In this paper I argue that Australia has much more at stake in the South China Sea than the 54 per cent of its trade that sails through those waters. Canberra needs first to show much greater creativity and imagination in conceiving Australia's interests; and second, to exercise a much more creative, less risk-averse approach in seeking to resolve the disputes.

The many faces of the South China Sea disputes

The beginnings of a new and more creative approach by Canberra to the South China Sea disputes must be a willingness to look at the disputes anew. The conventional view is that the disputes involve and are driven by three factors: overlapping territorial claims; rivalry over what may be significant hydrocarbon resources in the sea bed; and rivalry over the considerable fisheries of the sea. If this is the case, Australia's laid-back attitude is eminently justified; each of these three causes of contention are divisible and therefore should be resolvable in a rational negotiation among the directly concerned parties. Indeed, if these are the three drivers of the dispute it is hard to see why it remains unresolved for close to half a century after the disputes were first aired. There is considerable evidence that disputes over divisible commodities are much easier to resolve than those over absolute commodities.

However, there are at least four broader drivers of the conflict that make it unpredictable and extremely difficult to resolve through rational negotiation among the parties.

First, the disputes are a direct manifestation of Asia's changing power topography. The rise of China, a country with the size, wealth and internal unity that make a bid for regional leadership plausible – and the fear that this engenders in its neighbours – has led to a much more dynamic and fluid security environment in contemporary Asia than during the last quarter of the twentieth century.⁴ China's rapid emergence as the region's largest economy and new industrial heart has given rise to expectations that its smaller neighbours should show it greater deference.

4 Michael Wesley, 'Asia's New Age of Instability' *The National Interest*, November-December 2012

To its smaller neighbours, on the other hand, China's behavior in the South China Sea serves as an unpalatable example of what Beijing's regional hegemony would look like. For this reason, the South China Sea disputes are as much about prestige and national pride as they are about territory, resources or fisheries – and this makes them a very difficult problem to resolve.

Second, the disputes reflect the growing anxiety of China about its dependence on external supplies of energy and minerals and the vulnerability of these supplies to manipulation by strategic rivals. In many ways, these fears evoke the long-standing Chinese fear of containment by a coalition hostile to its rise.⁵

Contemporary discussion among Chinese strategic elites has raised the prospect of a 'mini-NATO' being created in the region, and Washington supporting the greater willingness of China's neighbours to check its influence. To this school of thought, Beijing can only gain the security of its supply routes by asserting a degree of control over them, or at least denying control to its strategic rival, the United States.

Third, the disputes also bring the United States and China into direct opposition in terms of their deepening rivalry over the regional order. In this sense, it is a manifestation of the broader problem of Washington and Beijing talking past each other: while the United States chooses to frame South China Sea issues in terms of general principles such as freedom of navigation, Beijing looks at the issue through specifics, such as its particular historical and territorial rights. The South China Sea tensions also stoke Washington's own sense of vulnerability in the Western Pacific: its *strategic* vulnerability in the context of China's maritime weapons systems; as well as its *diplomatic* vulnerability in terms of regional allies' trust in its willingness to support them.

Finally, the South China Sea dispute can be seen as a case study in the fragility in Asia of nomocratic norms – defined as the strong individual and collective commitment by states to liberal domestic and international rules and institutions governing

state behavior – and the ascendancy of teleocratic norms – the tendency to see rules and institutions as subordinate to the needs and prerogatives of the state.⁶ This is a situation that places Australia, with a strong commitment to the nomocratic approach to international relations, in a difficult situation. Particularly problematic for the nomocratic ideal is the vanishingly low prospect that either international law or regional institutions will play a role in resolving the conflicts, because neither is allowed by a teleocratic region to gain purchase on the disputes.

Australia's interests

If such a broader view of the South China Sea disputes is taken, Australia's interests are vitally affected – even if it were feasible to re-route the 54 per cent of its trade that currently passes through the sea's waterways. In taking such a low-profile approach to the disputes, Canberra appears to have confused its interests – or the ends of its foreign policy – with the means, and in particular its bilateral and multilateral relationships.

Although Australian foreign policy makers would never admit it, their approach to the South China Sea appears to be motivated first and foremost by the desire not to offend key relationships. On the one hand, the loud protestations that Australia has no role in resolving the disputes appears to be motivated by a fear of offending China, Australia's largest trading partner and an increasingly important regional actor. On the other, Australia's advocacy for a Code of Conduct demonstrates a desire to keep the countries of ASEAN on side.

Canberra must undertake some thinking from first principles regarding its interests in relation to the South China Sea disputes. If it did this it would realise that Australia has vital interests at stake that are ill-served by its current approach. To a first principles approach, Australia has four *structural* interests and two *relational* interests at play in the South China Sea disputes.

Australia's structural interests are: first, the existence of uncontested global commons – be they maritime, aerial, space, or cyber. As a small, relatively isolated,

5 Avery Goldstein, *Rising to the Challenge: China's Grand Strategy and International Security*, Stanford: Stanford University Press, 2005

6 Michael Wesley, 'The New Bipolarity' *The American Interest*, January/February 2013.

heavily trade-dependent country, Australia would be more affected than most nations by sustained competition over control of the global and regional commons. The maritime commons have been controlled since European settlement by Europe and its closest allies; but this situation may be coming to an end with the rapid build-up of maritime weapons systems among Asian states. Australia's second structural interest is an international economy oriented towards development and free trade norms – a natural corollary of the structure and trade-dependence of the Australian economy. Third, and perhaps most vital, Australia benefits from the ascendancy, vitality and continuing evolution of a rational, egalitarian, rules-based international order. Fourth, and more specifically, Australia has a structural interest in a benign strategic order in the Indo-Pacific Peninsula – the archipelago that extends from northern Thailand to northern Australia, along which an armed attack on Australia would most likely travel.

At least three of Australia's structural interests stand threatened by the South China Sea disputes. Primarily, this is due to the possibility that the global maritime commons will become permanently contested for the first time in Australia's post-European settlement history. There is growing agreement among maritime strategists that the days of American sea control are numbered, to be replaced by a fluid system of mutual sea deniability among the littoral great powers. What regime will develop in the place of the current high-seas doctrine is hard to predict – but there is little doubt that Australia will be vitally affected.

Of approximate significance are the circumstances by which the South China Sea disputes presage a rising tempo of challenges to the nomocratic, rules-based international order by rising powers that don't advance alternative general frameworks, but erode it with an escalation of specific claims. Added to this, the growing rivalry among several existing and rising great powers may well centre on the Indo-Pacific Peninsula. This archipelago divides the Pacific from the Indian Ocean and is traversed by several constricted sea lanes, which represent the ultimate southern egress points from the South China Sea. The ability of each of the great powers to attract the support of the states of the Indo-Pacific Peninsula will do much to ease its own strategic vulnerabilities

and heighten those of its competitors. Already there are signs of competition for the loyalty of key states of the Peninsula among China and the United States.

Australia has two relational interests involved in the South China Sea also, both of which are engaged by the South China Sea disputes. The first is its alliance commitment to the United States. Were Washington to become embroiled in a conflict in the South China Sea it is highly likely that Australia would be expected to fulfill its alliance obligations alongside US forces. The second is Australia's acceptance as part of the Asia-Pacific region, a status that has been contested in the past and could be again in the future. An Australia that stands aloof from one of the region's key flashpoints could well be an Australia whose commitment to regional issues is questioned in future international relations.

Australia's objectives

Furthermore, Canberra's approach to the South China Sea must include a serious analysis of the possible scenarios and outcomes of the disputes, and to divine which are the most and least desirable from the point of view of Australia's vital interests. Three possible outcomes suggest themselves. The first is the continuation of the status quo ante, in which the several parties continue to advocate their several overlapping disputes, but over which no one party wants to push their claims too firmly. Scenario two is a Chinese victory, in which Beijing is able to establish hegemony over the waterways and dictate its future administration. Scenario three is a moderate solution, in which specific claims are shelved and some sort of consensual joint management regime is developed.

Each scenario needs to be considered – not only on its own merits, but in terms of its implications for future disputes in the region. The third option is obviously the most desirable, not only because of the prospects it holds for moving beyond the immediate disputes in the South China Sea, but because of the principles it embodies for the evolution of the region in the future: the accommodation of the interests of all affected parties without endorsing the claims of some over others; and the priority of regional stability over particularist claims.

Australia's means

Australia's foreign policy tradition, stretching back over a century, offers five traditional foreign policy means. Yet each of these comforting traditions is likely to be found wanting should Canberra decide to become more activist and creative in its diplomacy towards the South China Sea disputes.

The original approach is *empire solidarity*, a belief that the British Empire represents a cultural example and a strategic public good to the world. This approach has been buried along with the British Empire and the failed hope of the Commonwealth; but elements of its rationale have been continued in the second Australian foreign policy tradition, *alliance commitment*. There are strong continuities here between the belief in the British Empire and the belief in the American alliance system as the essential stabiliser of global politics and the guarantor of the international rule of law and commons.

A partial alternative to Alliance commitment is *multilateralism*, an approach that is philosophically congruent with the American alliance system but which has always allowed Australia more initiative on a greater range of issues. Further along the philosophical spectrum is *regionalism*, an approach that has at times engaged American suspicions,⁷ but which in the Australian lexicon ultimately involves extending liberal multilateral principles into what had been, at the Cold War's end, one of the most under-institutionalised of the world's regions. Finally, there is the tradition of *pragmatic bilateralism*, an inductive approach to diplomacy which seeks to build a network of strong and trusted relationships on Australia's commonalities with other countries.⁸

None of these five traditional approaches holds particular promise should Canberra decide to be more ambitious in its approach to the South China Sea disputes. A new Australian creative diplomacy in the South China Sea could be the beginnings of a sixth foreign policy tradition: a *new plurilateralism*,

pragmatic and eclectic in drawing on the strengths of each of the five current foreign policy traditions, but flexible and creative in finding solutions.

Here there is a strong historical tradition to draw on. The Australian government's desire to promote a creative solution to the war in Cambodia in the early 1980s shows that Canberra can be coolly interests-driven. The early initiative by Bill Hayden regarding Cambodia drew the ire of China and the ASEAN states, but was motivated by a broad sense of Australian interests and was eclectic in trying a range of ways of bringing the contending parties together.⁹ Twenty years later, the Howard government's search for a way out of the regional impasse over unauthorised immigration led to an imaginative policy response in the form of the Bali process.¹⁰

Conclusion

In terms of both the vital interests affected and the historical activism of Australian diplomacy, the current quietism of Australian foreign policy on the South China Sea disputes is unsustainable. Canberra must become more ambitious on this issue – because ultimately its current small-target strategy carries with it substantial long-term opportunity costs. Ultimately, in promoting a sustainable solution to the South China Sea disputes Australia will be promoting a range of long-term interests as well as immediate objectives.

7 Michael Wesley, 'The Dog That Didn't Bark: The Bush Administration and East Asian Regionalism' in Mark Beeson (ed), *Bush and Asia: America's Evolving Relations with East Asia*, London: Routledge, 2006.

8 Michael Wesley, 'Australia and Asia' in Keith Windschuttle, David Martin Jones and Ray Evans (eds), *The Howard Era*, Sydney: Quadrant Books, 2009.

9 Frank Frost, 'Labor and Cambodia', in David Lee and Christopher Waters (eds) *Evatt to Evans: The Labor Tradition in Australian Foreign Policy*, Sydney: Allen and Unwin, 1997.

10 Michael Wesley, 'The New Diplomacy' in *The Howard Paradox: Australian Diplomacy in Asia, 1996–2006*, Sydney: BC Books, 2007.