

National Interests and the Role of Major and Middle Powers in the South China Sea: Australia's Cautiously Calibrated Approach

Euan Graham
Lowy Institute

Introduction

However vocally supportive Canberra is of the United States in the South China Sea, in an operational sense Australia has held back since Washington began its current freedom of navigation operations (FONOPs), in October 2015, shortly after Malcolm Turnbull took over as Prime Minister. Why is that so?

Operational caution

The delay is long enough to discount simple hesitancy or domestic political distraction. It points more plausibly at a policy decision not to launch any Australian freedom of navigation patrol or overflight, at least under the current US administration.

The contrast between Australia's forward declaratory position on the South China Sea and its operational conservatism is sharpened when compared with ongoing Australian Defence Force (ADF) commitments in the Middle East. With little parliamentary debate or public controversy, the Australian Government maintains there is a strategic need to commit substantial expeditionary combat forces on an open-ended basis, to support the US-led air campaign against ISIS over Iraq and Syria.

Yet in the South China Sea, in spite of the Government's robust declaratory stance on freedom of navigation and overflight, a clear articulation of Australia's national strategic interests being at stake, and obvious demand signals from the United States, not a single ship or aircraft has been sent to challenge the excessive claims of China and other states in the Spratly Islands.

According to the 2016 defence white paper, Australia is concerned about the militarization of artificial features in the South China Sea and opposes 'assertions of territorial claims and maritime rights' that are inconsistent with international law.¹ Moreover, the ADF is regularly present in the South China Sea in the course of normal operations, providing ample opportunity for a dedicated surface FONOP or overflight.

Such caution about conducting *non-combat* operations in the South China Sea could be seen as inconsistent with Canberra's official articulation of maritime security interests. It also jars with Australia's willingness to commit military force to a US-led coalition in a region which, whilst clearly important from a counter-terrorism standpoint, is less

¹ 2016 Defence White Paper, Australian Department of Defence, p 58.

obviously central to Australia's security interests than Southeast Asia and its surrounding waters.

Australia's reluctance to undertake FONOPs in the South China Sea begs the wider question whether Canberra has grown averse to military deployments in its own region that might incur a negative reaction from China. At the very least, the Government's circumspection and lack of public articulation on the matter has left it open to this perception.

An uncertain lead?

It should also be noted that Washington has behaved more cautiously than many observers expected. The US Navy has been surprisingly sparing in its own kinetic efforts to challenge excessive claims in the South China Sea, carrying out just three FONOPs by surface units since October 2015; two in the Spratly Islands and one in the Paracels. This is significantly less than the twice-quarterly frequency initially mooted.² The US position with regard to military overflight in the South China Sea is murkier, but no deliberate mission has been officially acknowledged.³

Most surprising of all, the three US surface FONOPs have been conducted as non-provocative innocent-passage transits, within 12 nautical miles (nm) of features claimed by China and three Southeast Asian claimant countries.⁴ Twelve nm is the limit of territorial seas that can be claimed around high-tide features, but no territorial seas have been formally declared by any claimant to the Spratlys, meaning that high-seas freedoms legally still apply. Moreover, the international arbitral panel in The Hague has ruled several of the features on which China has constructed artificial islands in the Spratlys definitively as submerged reefs and shoals, without any jurisdictional entitlement.⁵ The tribunal also clarified that no disputed feature within the scope of the ruling is an 'island' capable of generating more than a 12nm territorial sea.

If Washington has formally requested Canberra to join in South China Sea FONOPs this has not been made public. But numerous official and unofficial statements by visiting American officials and military leave little room for doubt about US preferences for Australia to be more operationally supportive in the South China Sea. Beijing has likewise left Australia in little doubt about Chinese hostility to what it sees as unwelcome outside interference. China's Foreign Ministry reacted with 'shock' and anger to Julie Bishop's endorsement of the Hague tribunal ruling in July, saying that 'any freedom of navigation flights or patrols by Australia will be seen in Beijing as a direct challenge'.⁶ The state-aligned *Global Times*, operating within a loose envelope of official sanction, warned in more sensationalist terms that economic and military consequences lie in store for a 'paper cat' such as Australia that dares to challenge China's sovereignty claims.⁷

² <http://www.reuters.com/article/us-southchinasea-usa-navy-idUSKCN0SR28W20151103>

³ <http://thediplomat.com/2015/12/the-costs-and-benefits-of-an-accidental-fonop-in-the-south-china-sea/>

⁴ <http://www.lowyinterpreter.org/post/2015/11/04/Innocent-passage-Did-the-US-just-fumbled-its-South-China-Sea-strategy.aspx>

⁵ <https://www.pcacases.com/web/view/7>

⁶ <http://www.abc.net.au/news/2016-07-15/china-tells-australia-stay-out-of-the-south-china-sea/7631492>

⁷ <http://www.globaltimes.cn/content/997320.shtml>

Over the past year, the South China Sea has lost much of its abstract quality for Australia as an over-the-horizon security concern. Increasingly, Canberra appears precariously balanced on the horns of a strategic dilemma between Washington and Beijing in the South China Sea.

Australia's fast-evolving China debate

Placing Australia's approach in a wider context, the South China Sea is not the only issue in Canberra's relationship with China, or necessarily the defining one. China is Australia's leading trade partner, accounting for 27 per cent of Australia's goods and much higher percentages of some commodities like iron ore, although less than 5 per cent of foreign direct investment currently comes from China. Beijing has been granted comprehensive strategic partner status, including high-level bilateral defence and political contacts.⁸ Nonetheless, the South China Sea has played a catalytic role within a fast-evolving China debate within Australia in recent weeks.

Beyond the South China Sea's material importance to Australia, as a flow space for trade and a maneuver space through which its armed forces operate and exercise forward, the South China Sea also functions like a maritime frontier as a bellwether for Beijing's strategic intentions. Concern about China's strategic encroachment in the South China Sea is shared widely within Australia's extended region. Similarly, in a US-Australia alliance context, the South China Sea finds coded expression in the many references to upholding the 'rules-based' international order that pepper recent Government policy statements including the defence white paper.

Australia-China relations have been variously exposed to the strategic, political and economic spotlight in recent years, but never concurrently. In the quarter since July, Australia's China debate has intensified as three apparently discrete developments came in quick succession: the Hague ruling on the Philippines' case against China (July), the scotched sale of Ausgrid to China's largest state-owned enterprise on national security grounds (August), and the Sam Dastyari 'influence-peddling' affair (September).⁹

The alignment of these three events has triggered a wider, still-evolving debate about the extent of Chinese state influence in Australia, but also about how economically and politically close Australia should get to China. As a result, economic and security debates on China have broken out of their traditional silos, to the mutual bewilderment of pundits from either discipline. A mature national debate would benefit from a common language around risk management. This is not the venue to develop that wider story, but it is important to understand that Australia's China debate is currently in flux. The South China Sea is but one factor at play.

Indirect and direct interests

Australia's interests in the South China Sea are economic and military, direct and indirect.

⁸ <http://dfat.gov.au/geo/china/pages/china-country-brief.aspx>

⁹ <http://www.lowyinterpreter.org/post/2016/09/08/Economic-diplomacy-brief-Dastyari-undone-Indonesia-innovation-British-trade-ties-and-more.aspx>

First, there is the South China Sea's economic importance to Australia as a conduit for merchant traffic, directly accounting for nearly two-thirds of the country's exports, as highlighted in the latest defence white paper.¹⁰ That this connotes strategic significance is disputed in some quarters. The shortest route for seaborne exports from most of Australia to South Korea and Japan, which between them take A\$100bn dollars in trade annually, runs east of the Philippines. Cargoes destined for Northeast Asia passing through the South China Sea could be diverted in the event that access for commercial traffic is deliberately impeded. This itself is a proposition that sceptics are reluctant to accept, especially in light of the fact that A\$107bn per year is destined for Chinese ports.¹¹ Critics argue that it makes little sense for Australia to postulate blockade scenarios in the South China Sea, unless China is itself the target of blockade.¹²

These criticisms do not negate the importance of commercial sea lanes passing through the South China Sea. Major conflict in the South China Sea would have both a direct and indirect impact on Australia's security, which would be felt economically. But they do highlight that the strategic value of a given body of water does not automatically correlate to the economic value of seaborne trade transiting there under normal conditions.

Second, Australia has direct military interests in terms of access for its navy and air force to the South China Sea. These should not be exaggerated for a relatively modest-sized force like the ADF. But Australia's interactions within the Five Power Defence Arrangements (FPDA) have entailed regular, advanced air and sea exercises in the southern South China Sea for decades, as well as Operation Gateway surveillance flights conducted by the RAAF from Peninsula Malaysia since 1980. Southeast Asia is identified as a priority region in Australia's latest defence white paper, including for expanded defence engagement.¹³ Australia's budding defence partnerships with Vietnam would be physically compromised without access to the South China Sea. As I argued last year, 'creeping restrictions would affect all littoral states in the South China Sea, including the ability of the ADF to operate across much of Southeast Asia'.¹⁴

Third, and not least, there is the US alliance to consider at both a direct and indirect level. As the US turns its strategic attention increasingly towards Asia, and China in particular, Australia's strategic heft and knowledge will count primarily in regional terms, especially Southeast Asia, the South Pacific and our western maritime approaches. This arguably represents a return to strategic normalcy, as defined by the early decades of the ANZUS relationship and geographically embodied in the Radford-Collins agreement. But that would be to understate the scale and complexity of China's strategic challenge and its potential to overturn the US-backed order, with all that implies for the foundation of Australia's foreign and defence policy.

Not taking sides

The Turnbull administration appears to have settled on a two-fold diplomatic approach towards the South China Sea based on even-handedness towards the territorial

¹⁰ 2016 DWP, p 57.

¹¹ Ibid, p. 70.

¹² <http://thediplomat.com/tag/sea-lines-of-communication-in-south-china-sea/>

¹³ 2016 DWP, pp 128-130.

¹⁴ <http://www.afr.com/opinion/columns/stand-against-china-from-the-middle-ground-20150608-ghj1ol#ixzz4L9ZtAIFU>

disputes: 'we don't take sides', urging 'restraint among all parties'. This is juxtaposed against robust statements supporting freedom of navigation - 'Australia will continue to exercise our international law rights to freedom of navigation and overflight, and support the right of others to do so' - and adherence to international law as 'the foundation for peace, stability and prosperity in East Asia'.¹⁵

Foreign Minister Julie Bishop's statement after the Hague award was one of relatively few, internationally, to highlight its binding nature, while urging claimants 'to re-engage in dialogue with each other based on greater clarity around maritime rights'. Australia has actively promoted including the South China Sea and maritime security on the agenda of Asian multilateral gatherings, from the ASEAN Regional Forum to the East Asia Summit. The absence of an Australian defence minister at this year's Shangri-la Dialogue, for the first time since its inception, was a conspicuous exception to this trend - although the Australian general election campaign offered a plausible explanation. Canberra's seat at the table across the smorgasbord of ASEAN-plus summitry gives Australia an 'in'. But its ability to influence outcomes, including the ASEAN-China Code of Conduct, is strictly limited.

In the absence of any definitive Government statement clarifying the extent of the ADF's recent activities in the South China Sea, it seems safe to assume that Australia has not conducted either surface transits or military overflights within 12 nm of disputed features in the South China Sea. This is an assumption shared by former opposition defence spokesman, Stephen Conroy.¹⁶ Interestingly, Conroy advocated an Australian-led freedom of navigation patrol in the lead-up to the general election, but the ALP's enthusiasm for Australian ensigns in the South China Sea appears less strong since the election and opposition front-bench reshuffle.

There are indications that Australia's cautiously calibrated approach is creating ructions within the alliance, as suggested when senior US visitors, including senior military officers, have appeared to advocate Australian participation in South China Sea FONOPs.¹⁷ Most recently Colonel Tom Hanson, the assistant US Army chief of staff in PACOM was quoted as saying 'Australians need to make a choice. It's very difficult to walk this fine line between balancing the alliance with the U.S. and the economic engagement with China'.¹⁸

It is more common to hear US commentators voicing concerns that Australia is showing excessive deference to China, leaving itself susceptible to pressure tactics from Beijing. According to Richard Fontaine, President of the Center for a New American Security, 'Australia can't avoid the dilemma forever. It may, for example, wish to conduct freedom of navigation exercises in the South China Sea, as Washington would like, but risk Chinese economic retaliation if it does so.'

Accordingly, 'Australia needs to better understand the economic vulnerabilities and benefits that flow from dependence on China. Canberra should better telegraph to the

¹⁵ http://foreignminister.gov.au/releases/Pages/2016/jb_mr_160712a.aspx

¹⁶ Peter Jennings in ASEAN Focus Special Issue on the South China Sea Arbitration: responses and Implications, July 2016, p 22.

¹⁷ <http://www.smh.com.au/federal-politics/political-news/us-navy-commander-urges-australia-to-carry-out-patrols-in-disputed-islands-in-the-south-china-sea-20160222-gn0a9w.html>

¹⁸ <http://www.abc.net.au/news/2016-09-01/us-military-official-urges-australia-take-stronger-stance-china/7805386>

public the strategic future it envisions and how that is driving Canberra's defense investments and foreign-policy choices today. And Australians need to talk about how much risk they are willing to assume in order to push back against Chinese actions'.¹⁹

While such sentiments reflect unease at some level, the alliance relationship is not yet seriously strained. The Turnbull Government's commitment to extending Australia's combat effort in the Middle East and training mission in Afghanistan are genuinely appreciated in Washington. Alliance linkages run deep at the military level, though this does not wholly assuage American concerns at the political level about Australia's potential for wavering or hedging on China. Deep scepticism persists within the Australian commentariat about the wisdom of risking military confrontation China.²⁰ Australia has no shortage of experts in potential causes of offence in China.

Whatever the motivations for Canberra's current caution in the South China Sea, it would be unfair to blame Australia solely for foot-dragging. The record of the second Obama administration on implementing its signature Asia policy, the pivot/rebalance, has been underwhelming. It has struggled publicly with internal divisions on how to approach China, to the extent of allegedly imposing a White House gag order on the military.²¹ If recent reports are correct even describing Sino-US relations in terms of great power competition is now considered anathema by the Obama administration. Furthermore, we are currently at a foreign policy threshold not only in the US election cycle, but potentially US politics writ large. Trump's potential foreign policy remains largely unknowable in advance but could prompt a fundamental reassessment of alliance commitments – on both sides.

Uncertain times

There is a lot of uncertainty in the region too. A sweeping legal victory for the Philippines in the Hague marked China's first real reversal in the South China Sea in several years. But euphoria has quickly yielded to apprehension about the foreign policy intentions of a profane, populist and unpredictable new president of the Philippines. There is also doubt about China's next move in the South China Sea, and defensible grounds for caution in the immediate aftermath of Beijing's legal defeat.²²

It would be a brave Australian leader who saw this as an opportune time to step up to the leadership plate in the South China Sea. In that sense Australia is perhaps not much different to other allies and partners currently in a watch-and-wait pattern until the strategic weather gods in Beijing, Washington (and Manila) become easier to divine.

Meanwhile, time, which is generally thought to be China's friend in the South China Sea, has not stood still. China's strategic position continues to strengthen as its artificial island blueprint unfolds in detail.²³ Beijing's floating security presence is being steadily populated by the maritime trifecta of People's Liberation Army-Navy, Chinese Coast Guard and fishing militia.

¹⁹ <http://www.wsj.com/articles/australias-ambivalence-makes-it-vulnerable-1472055055>

²⁰ <http://www.lowyinterpreter.org/post/2015/06/02/South-China-Sea-Australia-should-not-follow-US-into-ill-considered-adventure.aspx>

²¹ <https://www.washingtonpost.com/news/checkpoint/wp/2016/04/07/gag-order-issued-on-south-china-sea-pentagon-and-top-admiral-say-no-way/>

²² https://www.cfr.org/councilofcouncils/global_memos/p38227

²³ <http://warontherocks.com/2016/09/chinas-artificial-islands-are-bigger-and-a-bigger-deal-than-you-think/>

The effective window for FONOPs may be closing. It has been apparent for some time that US strategy in the South China Sea needs to broaden beyond a narrow focus on freedom of navigation, which has made little evident headway galvanising allies and partners into more active support. Equally, Beijing appears undeterred from incrementally shifting the balance progressively in its favour – though no move has yet been made to build a new and provocatively located artificial base at Scarborough Shoal.²⁴

Encounters between PLA-Navy and US Navy warships engaged in FONOPs were reported as professional at the time. But it has since emerged that Chinese fishing militia vessels allegedly harassed the *USS Lassen*, when it conducted its innocent passage transit past Subi Reef last October²⁵. Tactical surprise was probably achieved on the second US FONOP in the Paracel Islands, in January 2016, but this will become more difficult in future as China's expanded intelligence and surveillance infrastructure, and its maritime paramilitary and militia forces, develop ways of working in concert to deter FONOPs near China's artificial bases in the Spratly Islands.

Operational risk factors

This bodes for a deteriorating tactical environment in future. High-profile Australian advocates of a home-grown FONOP, including Kim Beazley and Gareth Evans, have expressed a preference for freedom of navigation with Australian characteristics.²⁶ A solo Australia FONOP foray into the Spratlys, while still possible, could be more operationally risky than commonly assumed. Awareness of this may have already reinforced Canberra's caution to send a frigate or destroyer within 12 nm around China's artificial bases, and is also likely to inform US preferences for a joint operation with its allies.

Australia's equities and modus operandi for challenging excessive claims differ in some respects from the US Navy's dedicated Freedom of Navigation Program.²⁷ US allies such as Australia and Japan have themselves been on the receiving end of US Navy operational assertions in the past. The Royal Australian Navy's low-key, non-confrontational preference is often summed up as a 'business as usual' approach. But it is no longer business as usual in the South China Sea.

Australia's navigational concerns have historically centred on the Indonesian archipelago, where Canberra has previously clashed with Jakarta over naval access rights along an east-west axis through Indonesian waters, where no archipelagic sea lane has been declared. Awareness of this dormant sensitivity, as well as recent memories of technical sovereignty violations by Australian vessels during Operation Sovereign Borders, could be playing into a risk-averse approach on freedom of

²⁴ <http://www.japantimes.co.jp/news/2016/09/07/asia-pacific/tiny-islet-south-china-sea-key-maritime-dominance-beijing/>

²⁵ <http://www.andrewerickson.com/2016/09/my-testimony-before-the-testimony-before-the-house-armed-services-committee-seapower-and-projection-forces-subcommittee-hearing-on-seapower-and-projection-forces-in-the-south-china-sea/>

²⁶ <http://www.abc.net.au/news/2016-02-26/australia-must-take-a-stand-against-china-says-kim-beazley/7204280>; and <http://www.abc.net.au/news/2015-10-20/australia-should-send-warships-to-south-china-sea-gareth-evans/6867814>

²⁷ <http://www.lowyinterpreter.org/post/2015/10/29/Why-Australia-must-send-in-its-navy-and-assert-freedom-to-operate-in-the-South-China-Sea.aspx>

navigation in the south China Sea. This sensitivity applies also to the air domain, with Indonesia now actively discussing the possibility of declaring its own Air Defence Identification Zone.²⁸ Malaysia, Canberra's FPDA partner, applies restrictions on military activities within its exclusive economic zone that are not consistent with international law. Australia may be being cautious in the South China Sea because it fears a knock-on reaction in Southeast Asia – though this logic could equally be reversed to argue in favour of a more activist stance.

The air environment in the South China Sea has the advantage of being less cluttered than sea level, as well as being regularly traversed by the RAAF for decades. According to recently reported comments by Australia's Chief of Air Force, the threat environment in the south of the South China Sea is extremely low risk, with 'no change in use of radar' or other indicators to suggest that 'the situation is escalating'. Air Marshal Leo Davies' comments suggest that the RAAF has no intention of deviating from established patrol lanes under Operation Gateway: 'We do not plan to overfly just because we could.' Moreover, his observation that 'There are claims within that area that are nothing to do with Australia' suggests a further, political distancing from potential overflight.²⁹

Conclusion

The first question is, for how long can Australia maintain its current, calibrated approach in the South China Sea? The answer to that depends to a large extent on the course of US–China relations in the year to come.

Even if a decision in Canberra is to accept greater costs and risks in resisting China's advances in the South China Sea, a second question is: has Beijing's consolidation of control now reached an irreversible point?

²⁸ <http://angkasa.co.id/info/militer/angkatan-udara/indonesia-harus-segera-deklarasikan-adiz/>

²⁹ <http://www.dailytelegraph.com.au/news/breaking-news/raaf-chief-sees-low-risk-in-s-china-sea/news-story/4fae5a2a34bea5a838a6adbb6c771d5b>