Introduction

Security relations are often considered the most sensitive part of bilateral strategic relations. They are the most important indicator of the relationship and, where major powers are concerned, have an important impact on regional development. As influential countries in the Indo-Pacific region, Australia and China’s security co-operation has become an important symbol of mutual strategic trust and an important factor in preserving regional stability.

But over recent years, the development of regional security has been accompanied by the constant incitement of a major power contest, particularly between the US and China. This has increased the common strategic challenges facing China and Australia and given prominence to diverging views in the security area. Strategic suspicion has increased and has disturbed bilateral relations and regional interactions.

In view of this, researchers from the long-term research collaborators CICIR and CIW decided to write a joint report on security issues, to consider questions that had representative quality and were of interest to both sides. This should shed light on the matters over which the two sides disagreed or were mutually suspicious, and lead to policy proposals, to help policymakers in the preparation of Summits, Strategic Dialogues, and military interactions.

In order to present the objective views of Chinese and Australian scholars, the style of the report is that each side presents its views. This is because we knew that it would be difficult to find common ground on many, or even most, of the issues discussed.

The completely different perspectives on the roles of the US and Japan were quite obvious, and we knew that our views on maritime security, or how to meet the cyber security challenge, were likely to differ so substantially that any agreed text would have little substance.
The State of the Bilateral Relationship

During the Australian Premiership of Tony Abbott, from September 2013 to September 2015, leaders of China and Australia pursued a strengthening of the relationship, exchanging top-level visits and engaging in dialogue on a range of important issues at political level. This reflects the clear view on both sides that the relationship is important and constructive engagement essential, despite the differences that have emerged over matters of East Asian security and global governance. There is a good basis for seeking creative policy avenues to work together for mutual benefit. We provide some proposals at the end of this paper.

In April 2013, then prime minister Julia Gillard and Premier Li Keqiang boosted the bilateral relationship between Australia and China by agreeing to hold an annual Summit and annual Strategic and Economic Dialogues at political level between the two countries. This elevated bilateral ties to the status of ‘Strategic Partnership’, reflecting agreement between the two sides that they have objectives that they must co-operate to achieve. During President Xi Jinping’s visit to Australia in November 2014 this was further raised to ‘Comprehensive Strategic Partnership’. This means, amongst other things, that the Strategic Dialogue will be held at the level of State Councillor on the Chinese side.

Bilateral relations between Australia and China are characterised by strong economic interdependence. Australia is an important supplier of resources to China, and China is Australia’s largest trading partner with AU$98,273 million of exports from Australia to China and AU$54,256 million of exports from China to Australia in 2014. There are high levels of bilateral investment. Australia attracted twelve percent of China’s total outward investment between 2005 and 2013, narrowly falling into second place behind the US (at thirteen percent). The two sides concluded a Free Trade Agreement (known as ChAFTA) during President Xi Jinping’s State visit to Australia in November 2014, and signed the final text in June 2015. This includes provision for important liberalisations which look set to increase imports from Australia of agricultural and food products, as well as resources, energy and manufacturing, benefitting Australian producers and bringing improved food safety, security and consumer choice to the Chinese market. Increased access to the Chinese market for Australian banks, insurers, securities and futures companies, law firms and professional services suppliers, education services exporters, as well as health, aged care, construction, manufacturing and telecommunications services businesses will bring prospects for growth in Australian service industries as well as supporting the modernisation and development of the Chinese economy. The agreement should help to support the long-term stable development of the bilateral relationship overall.

Australia and China are both actors in East Asian security, and share an interest in maintaining peace in the region. Both participate in the most important regional security arrangements (ARF, EAS, ADMM+). Both countries attached great importance to strategic partnerships with countries in the region and beyond. Australia’s membership of the United Nations Security Council in 2014 gives the two sides enhanced opportunity to co-operate on matters of global security beyond the region, such as the crises in Syria and Ukraine, and the strategy for containing Iran’s nuclear programme.

There are important barriers to increasing mutual trust in the security sphere. Australia enjoys a formal Alliance relationship with the US that supports engagement by the US in East Asia, both in political terms and practically, by hosting a rotation of US marines in Darwin, which will grow to 2,500 by 2017, and which was agreed following the launch of the US policy rebalance in Canberra in 2011. Aus-
Australia also has a close relationship with Japan. These relationships are considered essential to security by the Australian government and give a perspective on security, particularly maritime security in the East and South China Seas that has on occasion been considered antagonistic by the Chinese government. Australia considers that the size of China and the speed of its military development, combined with a lack of clarity about its strategic goals, creates anxiety amongst other countries in the region, particularly when China takes unforeseen action in or close to disputed areas. The two sides must develop policies to enhance trust in this area and convince the international community that they share the goal of agreed, mutually beneficial solutions in the security sphere, achieved through peaceful diplomatic means.

Australia has a large Embassy in Beijing, and Consulates General in Shanghai, Guangzhou, Chengdu and Hong Kong. There are Chinese Consulates General in Sydney, Melbourne, Brisbane and Perth, as well as the Chinese Embassy in Canberra. Both sides have military attachés in their Embassies.

**RECENT BILATERAL VISITS AND DIALOGUES**

Former prime minister Abbott visited China in April 2014, accompanied by the foreign minister, the trade minister, the small business minister, five state premiers, one chief minister and thirty of Australia’s most senior chairmen and CEOs. They were joined by hundreds of business people in participating in the first ever Australia Week in China. Abbott attended the Boao Forum in Hainan, and then travelled to Shanghai, Beijing, Chengdu and Guangzhou. He also visited Japan and RoK in the same tour. Abbott and Premier Li Keqiang held the annual Prime Ministers’ meeting on 9 April in Sanya, and there was a second meeting between Foreign Ministers Bishop and Wang, in a more cordial atmosphere than the first (see below). This visit was widely reported as a success in the media on both sides. Abbott addressed matters of concern and disagreement, but in the context of a visit in which he was strongly promoting trade and investment relations, reflected in the large business delegation accompanying, and talks to make progress on the FTA negotiations. President Xi Jinping and Prime Minister Abbott were able to build a personal relationship at a lunch and discussion at President Xi’s invitation. This went beyond previous interactions between the Australian Premier and Chinese head of state.

President Xi reciprocated with a State visit to Australia at the time of the Brisbane G20 Summit. The visit was deemed highly successful by both sides, in terms of concrete outcomes, good atmosphere, and the Chinese President’s success in conveying a more personable image of Chinese politics than Australians have previously seen. In addition to Brisbane Xi Jinping visited Sydney, Hobart and Canberra. The centrepiece of his visit was a well-received address to the Federal Parliament in Canberra, the first such address since the 2003 visit of Hu Jintao. In the address, Xi encouraged Australia to show greater strategic independence in the region and to work with China to sustain peace and prosperity. The main outcome of the visit was the conclusion of the FTA.

There have also been some difficult moments between the two governments. Foreign Minister Julie Bishop visited Beijing in December 2013, for the annual Diplomatic and Strategic Dialogue with Foreign Minister Wang Yi. Despite the progress made earlier in the year, this visit took place during a period of some tension. Following China’s 23 November 2013 announcement of a new Air Defence Identification Zone in the East China Sea, which partially covered territory claimed by both China and Japan, Bishop called in Ambassador Ma Zhaoxu (their first meeting) to express concern and then made a public statement. She said:
PERSPECTIVES ON SECURITY: PROSPECTS FOR PARTNERSHIP FOR A SAFER INDO-PACIFIC

Bishop was surprised by Wang’s sharp words of criticism in the presence of journalists at the beginning of the subsequent meeting in Beijing. He said that she had ‘jeopardised bilateral mutual trust and affected the sound growth of bilateral relations’. She countered that Australia reserved the right to express views on issues of concern in their region. While both Ministers took the opportunity to set out their national position on a priority issue, the difficult atmosphere makes it difficult to characterise this encounter as a diplomatic success. However, we should recall that the meeting did afford an opportunity to discuss a broad range of security and foreign policy issues. This was the first bilateral meeting between the Ministers.

There was a further strategic dialogue between Bishop and Wang in Sydney on 7 September 2014. It was reported that the two sides exchanged views on the full breadth of bilateral, regional and global issues, including the situation in Iraq, Syria and Ukraine, and explored ways to increase co-operation in regional and multilateral forums where they had shared interests and approaches.

China invited Australia to join its new multilateral initiative, the Asian Investment and Infrastructure Bank (AIIB) in October 2014. Australia finally assented, following discussion and apparent disagreement in the Australian Cabinet. The delay received wide criticism from Australian commentators, who mainly expressed the view that Australia should have immediately welcomed the willingness of its key economic partner to take a more active role in multilateral finance, working to resolve governance concerns with China, rather than in opposition.

RECENT INTERACTION BETWEEN THE ARMED FORCES

There is also structured interaction between the armed forces of the two sides. The Australia-China Defence Strategic Dialogue takes place annually at the level of Chief or Deputy Chief of the Defence Forces, or Chief of the General Staff. At the dialogue in January 2014 both nations endorsed the Australia-China Defence Engagement Action Plan, which comprises a range of initiatives to facilitate further co-operation in the areas of maritime engagement, strategic policy discourse, educational exchanges, practical exercises and reciprocal high-level visits. In 2013 Australia also hosted an inaugural Strategic Policy Exchange, which saw both countries exchange views on regional security and the formation of military capability requirements. There were several further high-level exchanges in 2013 and 2014. General Fan Changlong visited Australia, and Defence Minister David Johnston visited China. Australia and China continued to participate in bilateral military exercises as well as trilateral exercises with New Zealand and the US. Most recently, a joint naval exercise was held in the South China Sea in November 2015.

Major Security Issues in the Indo-Pacific Region

Australian Perspectives

Australia considers itself to be a middle power in the Indo-Pacific region, which has benefitted from American security primacy. The redefinition of the Sino-American security relationship is of great concern to Australia. With any sign of a lasting accommodation between the two powers, as advocated by some Australian commentators such as Hugh White, looking far from achievable, Australia fears
either a conflict between China and the US, or a new Cold War between the two. Although Australia sees a strong and productive bilateral relationship with China as a priority, it also fears an Asian order led by China, whose strategic objectives Australia does not necessarily share. The Australian government’s first national security strategy, published in 2013, referred to the ‘risk of another state seeking to influence Australia or its global partners by economic, political or military pressure.’ While there is no explicit reference to China, the implication is clear. Australia under the current government is seeking to bolster its relations with the US, and with other middle powers in the region such as Japan, India, RoK and Indonesia, in order to diversify security options. Australia is also increasing defence spending, with a target of two percent of GDP, but sees the US-led alliance as still essential if Australia is to have any ability to project hard power.

**Chinese Perspectives**

The trend in current traditional and non-traditional security challenges in the Indo-Pacific is increasingly serious. As far as the traditional security situation is concerned, from Southeast to Northeast Asia, there are maritime disputes between States, and an increasingly confrontational mood. Among them, the changing situation of the China-US strategic game not only affects regional security, but also increases the prospect of regional military conflict and confrontation.

From Central Asia to South-West Asia and the Middle East, the terrorist threat is constantly increasing. The two major international terrorist organisations the ‘Islamic State’ and ‘Al Qaeda’ are stepping up expansion of their sphere of influence, struggling with one another to occupy territory in the midst of serious sectarian conflict and proxy wars, turning this crescent turning this arc into the hardest hit ‘region of disorder’.

The challenge of international terrorism and the fight against terrorism in the Indo-Pacific region is becoming increasingly acute. However, the greater challenge is a serious lack of an all inclusive security co-operation mechanism amongst the major powers of the region to adapt to the times and the development needs of the Indo-Pacific region.

The US alliance-based security system is mainly to deal with traditional security issues. Notwithstanding a strong operational capacity, the stronger this capacity is the more it creates security concerns and alternative security counter measures for other countries outside the system, especially major powers. Because of this, the regional dialogue and co-operation forums such as: SCO, ASEAN Regional Forum, CICA Conference on Interaction and Confidence-Building Measures in Asia) which are the basis of security co-operation and dialogue mechanism, are unable to forge consensus, given their lack of hard power capability.

Of course, there is a lot of space for strategic adjustment in the entire Indian-Pacific region. First, all the major countries of the region, although each system has its own characteristics, all emphasise economic development and relations with no irreconcilable ideological barriers or antagonistic contradictions.

Second, Russia, the US, India and other major countries no longer suffer mutual antagonism and hostility, although there has been friction in the past year or more between the US and Europe and Russia, and between the US and its allies and China, this is different from the Cold War, these are not insurmountable problems or disputes, and unlikely to create resistance to security co-operation between major countries. Each country is prepared to be a responsible regional or global power. China and the US are working to create a new model of relations between major powers. Although there are differences of opinion on security matters between China and the US and other interested major powers, the means of controlling a crisis are just taking shape, and should be able to control military conflict and confrontation quite effectively.
Third, economic interdependence is deepening in the Indo-Pacific region, especially as China adheres to the path of ‘peaceful development’ road. This will prevent any misunderstandings between major powers escalating into regional military conflict.

More importantly, China is currently pushing the construction of ‘One Belt, One Road’. As a strategic idea and multilateral initiative of the current government, one important aspect of ‘One Belt, One Road’ is to show China’s open development and security outlook to the outside world, and China’s intention to seek inclusive, comprehensive, common and sustainable security through extensive development cooperation, not through exclusive military alliance. In the fullness of time, the ‘One Belt, One Road’ project will, through co-operative development and joint planning, build a stable and strong network throughout the Asia Pacific and even Indo Pacific region.

US Policy in the Asia Pacific

Australian Perspectives

The Australian government considers the US-Australia alliance an anchor of peace and stability. The two sides are theoretically bound by the ANZUS Treaty of 1951 to ‘consult together whenever in the opinion of any of them the territorial integrity, political independence or security of any of the Parties is threatened in the Pacific’. In practice this is understood to apply to any matter of security in which the other party is engaged, anywhere in the world. The US and Australia have restated their intention to work together — bilaterally, in regional bodies, and through the UN — to advance peace and security and to confront international challenges, such as Syria, Russia’s military aggression in Ukraine, North Korea and ISIL. The US-Australian Force Posture Agreement, signed in August 2014, deepened this long-standing defence co-operation, intended to enhance Asia-Pacific security. The Force Posture Agreement provides a policy, legal and financial framework for the force posture initiatives agreed between the two countries in 2011 as part of the US rebalance.

The US strategic rebalance to Asia was welcomed by Australia as by many other Asian countries. Despite denials that the rebalance was mainly intended as a policy to respond to concerns about a rising China it seemed clear to observers that this was the primary objective. This apparent subterfuge unfortunately has done little to support one of the objectives of the US-China bilateral relationship, which is to increase mutual trust. China’s rising prominence certainly makes the region more deserving of US attention, so a policy emphasis on China and Asia was not in itself misguided. Indeed, the sustainable stability and development of the Asia-Pacific region continues to rely upon the leadership and engagement of the US and a careful recalibration to respond to China’s changing role.

In practice, the rebalance has predominantly focused on expanding US regional military capabilities with some benefit to Australia as host of a marine’s rotation. The US has also focused a substantial amount of diplomatic capacity on Asian nations other than China, (Secretary Clinton paid forty-nine visits to the region during her tenure and President Obama has made twenty-two visits so far). The objective has clearly been to reinforce relationships with other allies as well as Australia. An example was President Obama’s public declaration during his 2014 visit to Tokyo that US security guarantees extended to the disputed Diaoyu/Senkaku Islands, though he qualified the US stance by restating a neutral position on the question of sovereignty.

The apparent intention of the US has been indirectly to influence the actions of China through adjustments to the balance of power. This strategy has emphasised the role of military assets over economic and diplomatic engagement, has transferred some control of events in the region from Washington to regional allies and partners. It has also led to counter initiatives, such as President Xi Jinping’s speech outlining a new pan-Asian security strategy in his speech at the CICA Summit in May 2014.

Another element of the strategic rebalance is the Trans-Pacific Partnership (TPP), which would greatly expand beneficial trade relations between the US and Asia if all major trading partners, including China, participated. This seems unlikely on current plans. China could apply to join the partnership and has expressed a view on this possibility in the past. For example in May 2013 a spokesman for the Ministry of Commerce said that China ‘will analyze the pros and cons as well as the possibility of joining the TPP, based on careful research and according to principles of equality and mutual benefit.’ China has
apparently perceived greater risks than benefits and has preferred to pursue the Free Trade Area of the Asia Pacific (FTAAP), the Regional Comprehensive Economic Partnership (RCEP), bilateral FTAs such as that concluded with Australia, and the conclusion of the WTO Doha Round.

Overall it appears that so far the strategic rebalance, while including many positive elements, has increased animosity between the US and China because of the way in which it has been implemented. The US has taken strong positions on the maritime disputes to China’s East and South, accusing China (often with political support from Australia as previously mentioned) of coercive practice such as in this 2012 State Department statement: ‘We are concerned by the increase in tensions in the South China Sea and are monitoring the situation closely. Recent developments include an uptick in confrontational rhetoric, disagreements over resource exploitation, coercive economic actions, and the incidents around the Scarborough Reef, including the use of barriers to deny access. In particular, China’s upgrading of the administrative level of Sansha City and establishment of a new military garrison there covering disputed areas of the South China Sea run counter to collaborative diplomatic efforts to resolve differences and risk further escalating tensions in the region.’ Secretary of Defence Chuck Hagel accused China at the 2014 Shangri-La Dialogue of undertaking destabilising unilateral actions, and told China ‘the US will not look the other way when fundamental principles of the international order are being challenged.’

Given the importance of the rise of China and the rapid evolution of security concerns, Australian commentators and the Australian government fully support close and vigilant attention to this region. Despite the distraction of numerous crises elsewhere in the world, the long-term development of events in the Asia-Pacific will be what defines the world of the next century and should be treated as a priority. An explicit diplomatic focus by the US on the importance of great power relations would be welcome, with a focus on bilateral relations with China and improving communication between Washington and Beijing. The current distrust between the two makes it difficult for countries in the region, including Australia, not to feel that they have to take sides. There are good avenues of diplomatic co-operation between the US and China, and the two sides are fully aware that they have much to gain from reducing tension in the relationship. Foreign policymakers in the US need to place the success of the strategic rebalance at the top of their list of priorities.

**Chinese Perspectives**

The US is pursuing a policy of ‘rebalancing’ in the Asia-Pacific due to worries about losing its status as regional hegemon, as well as to seize opportunities arising from regional economic development. The US-Australian alliance is an important component of the Asia-Pacific rebalancing strategy, and as such, requires a more comprehensive analysis. On one hand, the alliance plays an important role in the US-Australia bilateral relationship as well as in the context of regional security, and serves the interests of both countries. On the other hand, the alliance can be negatively interpreted as antagonistic to a third party, and Australia may be seen as a pawn in a grand strategy to maintain US dominance in the Asia-Pacific region. Although the US-Australia alliance may serve the latter well, in the face of an increasingly complex China-Australia-US triangular relationship, Australia may find itself constrained in its foreign policy due to limitations set by American strategy in the Asia-Pacific region.

In particular, the US seeks to highlight the US-Australian alliance as a vital component to its ‘Asia-Pacific rebalancing strategy,’ which may not bode well for the region. For example, increased military co-
operation between the two countries, such as US marines stationed in Darwin, may exacerbate tensions in Southeast Asia. A key feature of the US rebalancing strategy is the use of ‘smart power,’ including the leveraging of regional alliances, regional conflicts, and maritime disputes to bolster American military superiority. However, this strategy may ultimately be self-defeating due to its potential for intensifying regional conflicts and arms races, thereby undermining regional peace and development.

In reality, coping with the rise of China is at the core of the US rebalancing strategy, serving to intensify Sino-US strategic competition in the region and forcing countries like Australia into the difficult dilemma of ‘choosing sides’ between the two superpowers. Australia believes that stable and sustainable development in the Asia-Pacific region relies on American leadership and participation, as well as a careful response on the part of the US to China’s rise. In reality, stability in the Asia-Pacific is dependent on regional actors working together to resolve their disputes and prevent the escalation of conflicts by third parties.

In the Diaoyu/Senkaku Islands dispute between China and Japan, for instance, the US has maintained a ‘neutral’ stance on territorial sovereignty on the surface, but in fact stands on the side of Japan by acknowledging the latter’s so-called ‘administrative jurisdiction’ of the islands, as well as repeatedly stressing that the dispute is applicable to the ‘Japan-US Security Treaty.’ Tacit US backing in this case is not conducive to resolving the dispute, as it has emboldened Japan to make its stance more forcefully in the face of historical tensions and territorial disputes.

The regional competition between China and the US extends beyond security matters into the economic and trade spheres. While the US has actively sought to exclude China from regional trade agreements, such as the Trans-Pacific Partnership (TPP), China has pushed for the FTAAP as an APEC regional initiative. The US believed that the TPP would restore its regional economic dominance, but China-led regional infrastructure development initiatives such as ‘One Belt, One Road’ and the AIIB have attracted many countries, including US allies like Australia, to join. The US can no longer easily win the contest against China to dictate the terms of economic development in the Asia-Pacific region.

US implementation of its rebalancing strategy in the Asia-Pacific has an uncertain outlook due to a variety of factors: increasing instability in other regions such as the Middle East and domestic political in-fighting within Congress, as well as the inherent limitations and contradictions of the strategy itself. In the wake of China’s rise, the US has been competing for regional dominance on China’s doorstep (i.e. East China Sea, South China Sea) by stirring up strife and interfering in regional disputes. This has benefited the US in the short term, but this sort of zero-sum ‘meddling’ is unsustainable in the long run.

China is both a stakeholder in the current world order as well as an arbiter of change, and at the same time, a beneficiary of the global system led by the US. China does not oppose US leadership; it merely hopes that the US will allow for a more democratic and equal system to emerge. China’s Asia-Pacific strategy is characterised by openness, acceptance, and transparency, stressing the necessity of working together with regional actors to promote peaceful development, while noting the importance of the US as a regional stakeholder. China does not wish to provoke conflict with the US, and sincerely hopes to pursue a ‘new type of great power relations’ to promote mutual trust and co-operation in the Sino-US relationship. Australian scholar Hugh White has advocated the sharing of regional leadership responsibilities in the Asia-Pacific between China and the US. Looking to the future, peaceful development in the region will depend on the joint efforts of China, US and other Asia-Pacific countries, while attempts to form cliques and exclusionary alliance structures will only serve to undermine regional co-operation and promote distrust.
The Role of other Significant Actors in Regional Security

JAPAN

Australian Perspectives

Since his election as prime minister in December 2012, Abe Shinzo has proposed to ‘take Japan back’ from its constraining post-war regime and to restore a ‘strong Japan’ capable of deploying its military forces overseas in support of security allies. The evolving security architecture includes new institutions for intelligence and security policy coordination, a review of Japan’s defence posture with upgraded military capabilities, and the lifting of the ban on Japanese arms exports and participation in joint defence technology research. The new strategic outlook is called ‘proactive pacifism’, said to aim at an enhanced role of Japan’s military in international peacekeeping and conflict resolution, and a strengthening of the US-Japan alliance. This builds on changes already underway, which had allowed participation by Japanese self-defence forces in UN peacekeeping operations and the ‘war on terror’ campaign in Afghanistan and Iraq, and the construction of an overseas military base in Djibouti. These changes were already leading towards an increasingly ‘normal’ Japan, capable and willing to employ military forces overseas to address international security problems.

The establishment of a National Security Council and a National Security Strategy (NSS), are a reflection of the challenges of a rising China and declining US presence, as well as threats posed by North Korea. The strategies include strengthening naval and air force capacity, and a 2.8 percent increase in the defence budget. Japan’s coastguard has also enjoyed a recent budget boost, not least because of the demands of maintaining the sovereignty claim over the Diaoyu/Senkaku Islands.

Japan aims to strengthen the US-Japan security alliance, and balance China through an increased Japanese presence in the region. Washington indeed praised Japan’s new commitment to a proactive role in international security affairs, though Obama has also expressed concern over slow progress in improving relations with China and RoK. Abe has been proactive in signing agreements for the export of Japanese military technology. These include a proposal to export Soryu submarine propulsion technology to Australia.

Many of these changes have met domestic opposition. However, China’s management of the territorial dispute over the Diaoyu/Senkaku Islands, Beijing’s unilateral announcement of an air defence identification zone in November 2013, and its assertive posture in addressing its maritime disputes in the South China Sea, have supported Abe’s security agenda, keeping Japan on track for a proactive role in international security affairs.

Abe has pledged that operations involving the Japan Self-Defence Forces will not breach the limits imposed by Article 9 of the constitution. Nonetheless, the changes introduced by Abe are very significant and are changing the landscape of Asian security. While fully recognising and supporting Japan’s right to normalise, Australian policymakers should also bear in mind that the full pace and direction of Japan’s strategic policies are not yet clear.

Chinese Perspectives

Since Shinzo Abe came to power, Japan’s security policy has undergone a major shift. This shift is reflected in the establishment of the National Security Council (NSC), the adoption of the National Security Strategy (NSS), as well as changes in Japanese national security legislature and adjustments in the Japan-US alliance. Lifting restrictions on collective self-defense, modifying the three principles of arms exports, and amending the country’s Official Development Assis-
tance (ODA) framework represents three major steps in the ‘unbundling’ of Japan’s self-defense laws. Although some supporting legislation and legal changes are still required by the Diet, and domestic public opinion has opposed many of the changes, there are not many obstacles to revising the security framework given the current political situation in Japan. This has come in conjunction with revisions in the Guidelines for Japan-US Defense Co-operation. Together, these changes will ensure that Japan will be able to exercise collective self-defense and be more deeply involved in US military operations abroad, forming a ‘global’ Japan-US alliance. At the same time, Japan hopes to deter China through closer co-operation with the US, and in doing so, obtain a more favorable position in the Diaoyu/Senkaku Islands dispute.

Abe is pursuing a security policy called ‘active pacifism,’ but in reality, it is a deviation from the seventy years of peace brought about by Japan’s constitutional undertaking after the Second World War. Although Japan has used the ‘pacifist’ term to disguise the militaristic nature of its new security policy, it is clear that the new policy is departure from Japan’s pacifist past. At the same time, it is a departure from the post-war Japanese policy of ‘strong economy, light military’ principle enshrined in the Yoshida Doctrine. The impact of Japan’s new policy on regional security cannot be ignored.

In reality, strengthening the Japanese military and enhancing Japan’s role in regional and international security matters has been a continuous pursuit of the Japanese political elite over the years. However, the domestic political climate and the international security environment have limited the pace of these developments. The relative stability and continuity afforded by the Abe regime has created favorable domestic conditions, while the relative decline of American power and China’s rise has created a favorable external environment for Japan to revise its national security policy. Although Japan and third parties have pointed to China’s rise or ‘threat’ as an impetus for strengthening Japanese military capabilities, they have ignored the fundamental reason for potential conflict between the two countries: the absence of genuine reconciliation between China and Japan, which has resulted in lack of mutual trust. The reason for this is obvious. If China and Japan maintained friendly relations then China’s rise would not be considered a ‘threat,’ nor a reason to change Japan’s security policy. In addition, deteriorating relations between China and Japan may be used as a pretext for strong domestic political support. The use of the China threat as a justification for changes in national security policy reflects a certain wariness and antagonism on the part of the Japanese government towards China.

Therefore, within the context of a frosty China-Japan relationship, the latter’s rearmament and strengthening alliance with the US has only served to deepen mutual distrust. China’s patrol boat presence and establishment of an air defense identification zone in the Diaoyu/Senkaku Islands were merely security responses to Japanese provocations, such as ‘purchasing’ the islands from a private owner in 2012, but these actions received undue blame due to Japan’s accusations. For example, Japan accused China of unilaterally establishing an air defense identification zone, but Japan’s own air defense identification zone was also set unilaterally, and furthermore, Japanese reconnaissance aircraft have already reached Chinese waters. Thus, although these accusations are unfounded, they serve to misrepresent a China threat perception, which is conducive for implementing a more aggressive Japanese security policy.

Japan’s new security policy will not only have a negative impact on Sino-Japanese relations, it will affect regional security in the Asia-Pacific. With the lifting of restrictions on collective security, Japan’s Self-defense Forces (SDF) will have a wider scope of operations, with a focus on Japan’s interests in the Asia-Pacific region. Since 2015, some members of the US’ military have on several occasions called for Japanese involvement in naval patrols of the South China Sea, with Japan strongly considering such an action each time. Recently, when a US naval ship entered the
twelve nautical mile territorial sea of one of the reefs of China’s Spratly islands, Japan expressed a positive attitude of ‘understanding’ and ‘support’. This sign makes clear that, although Japan is not participating in any joint patrols at the moment, they have left themselves sufficient policy space to do so. Japan has previously sought to interfere in the South China Sea situation through naval patrol and military aid at various international occasions, and any intervention by Japan may have a destabilizing effect in exacerbating existing tensions. China must pay close attention to Japan’s implementation of its new security policy in the region.

INDIA

Australian Perspectives

India perceives itself as a strategic competitor to China, and is concerned by China’s increasing naval presence in the Indian Ocean. However, India remains unwilling to be bound by alliances and is interested in enhancing security relationships with many partners, including China. India reached out to Australia in 2014: Modi paid a State Visit to Australia in November 2014, reciprocating an Australian Prime Ministerial visit for the first time in over 30 years.

India boosted defence spending by twelve percent in 2014-15 over the previous year in the July 2014 budget and further opened the domestic weapons industry to foreign investment. The Defence Minister set the budget at 2.29 trillion Indian rupees (US$38.35 billion) for 2014-15, saying ‘Modernisation of the armed forces is critical to enable them to play their role effectively in the defence of India’s strategic interests’. He has committed to faster arms acquisitions for the Indian military, which is the third largest in the world after the US and China, though China spends around three times as much on its armed forces, and the US twelve times as much. India has been the top arms buyer in the world since 2011. This military modernisation is due to fears of a rising China, as well as a need to replace Soviet-era equipment.³

New Delhi has access to a far wider range of suppliers than China, and will now allow foreign investors to invest up to forty-nine percent in domestic defence industries, in the hope of securing technology transfer and reducing reliance on imports.

China also has two land border disputes with India, on which the Chinese position is equally uncompromising. China occupies approximately 38,000 square kilometres of Indian territory in Jammu and Kashmir. In addition, under the so-called China-Pakistan ‘Boundary Agreement’ of 1963, Pakistan ceded 5,180 square kilometres of Indian territory in Pakistan Occupied Kashmir to China. China claims approximately 90,000 square kilometres of Indian territory in Arunachal Pradesh and about 2000 square kilometres in the Middle Sector of the India-China boundary. The Chinese government has stated that China does not recognise Arunachal Pradesh (which it calls ‘South Tibet’).

Because the gap between the positions of China and India on Arunachal Pradesh is wide, it is difficult to reach consensus. The area of this disputed region is three times that of Taiwan, it is flat and rich in water and timber. Although the two sides have committed to finding a solution through negotiation, there is always potential for periodic low-level confrontations between border patrols to escalate. There are regular standoffs and both China and India continue to boost their militaries’ capabilities on the border, adding to mutual suspicion.⁴

India has countering China on land as a strategic priority, given this unresolved border dispute, but has also stepped up engagement with ASEAN and East Asian Nations. In 2013 the India-ASEAN relationship was elevated to a strategic partnership. This followed Singh’s 2012 declaration in: ‘India and ASEAN should not only work for shared prosperity and closer links between our peoples, but also to
promote peace, security and stability in the region. I am happy to note our growing engagement in areas such as defence, maritime security and counter-terrorism.’

Prime Minister Narendra Modi has sustained this engagement, using the latest ASEAN summit in Naypyidaw to unveil India’s new ‘Act East Policy,’ and tell his Southeast Asian counterparts that his government is serious about boosting ties with the region, stressing his government’s attention to the region in the six months since he came to power. He used the term ‘Act East’, first coined by Hillary Clinton, to emphasise his intent to follow through on these remarks with actions, not just words. Modi highlighted specific recommendations to advance ASEAN-India economic relations over the next few years, but also touched on the South China Sea in both the ASEAN-India Summit and the East Asia Summit, reiterating the importance for all actors in ‘following international law and norms on maritime issues.’

Many ASEAN nations, also unsettled by China’s rise, have requested India help them with military training and weapons supply. These include Myanmar (the only ASEAN country with which India shares a land border) and Philippines, but particularly Vietnam, where India has invested substantially in reinforcing naval and air capabilities, and Indian Air Force pilots have been training their Vietnamese counterparts. India also agreed with Singapore in 2014 to enhance their defence partnership.

Chinese Perspectives

India has modernised its military with the goal of regional dominance in South Asia and the India Ocean, and becoming a global military power. In the pursuit of this goal, India has identified the threat posed by the China-Pakistan alliance as a more challenging security threat than that posed by the US in the Indian Ocean and South Asia region.

This is in large part due to China being a model for India’s rise, and seen as a target to be overtaken. The widening gap between the two countries in terms of economic development, as well as disputes along the China-India border, have led to wariness and threat perception on the Indian side, especially in regards to China’s presence in the Indian Ocean. Since 2008, China has used the opportunity of fighting Somali pirates to expand its activities in the Indian Ocean, while Pakistan’s relative power has diminished, and the US has urged India to take on more of a ‘policing’ role in the Indian Ocean region. India has increasingly seen China as its biggest challenge to achieving regional hegemony in the Indian Ocean and South Asia. In February 2012, an Indian strategic paper titled ‘Non-Alignment 2.0: A Foreign and Strategic Policy for India in the Twenty First Century’ blatantly proposed that India should strengthen its naval presence in the Indian Ocean to counter China’s threat to recover ‘disputed border territory.’ The paper also noted that China’s energies were focused on the Pacific, including the Yellow Sea, the Taiwan Strait, the East China Sea, and the South China Sea, and that the India Ocean was of secondary importance. US, Japanese, Indonesian, Australian and Vietnamese naval strategy have all been focused on limiting China’s naval expansion into the Indian Ocean. Thus, it was suggested that India should use this opportunity to strengthen its naval forces as well as strengthen diplomatic ties with regional players, especially with the aforementioned countries, in order to ‘balance’ against China’s rise.

Since the turn of the century, India has leveraged its geopolitical advantages, such as fear of China’s rise on the part of the US and China’s neighbors, as well as a fast-growing economy to continuously push forth military modernisation. In the past fourteen years, besides 2007 and 2008, India’s posted double digit annual growth in military spending. Beside the US, India has solidified its status as the regional military power of the Indian subcontinent and Indian Ocean.
region. India has also stepped up the frequency of military exercises with both militarily advanced and neighboring states to enhance its tactical capabilities, and has become the most frequent partner of the US in conducting military exercises. On a strategic level, India has allowed itself to be directed by the US and its allies to implement the so-called 'diamond chain strategy' to contain China’s rise; the US-India-Japan trilateral security dialogue at the deputy ministerial level is proof. However, India’s use of its geographical advantage is most noteworthy, in stepping up its ‘blue water’ strategy to control the waters in the India Ocean, it has constructed three naval bases in the Andaman-Nicobar Islands as well as on its east and west coasts in order to more effectively project naval power in the Straits of Malacca, the Bay of Bengal and the Arabian Sea. India has also developed close military ties with Seychelles, Mauritius, and Mozambique in the western Indian Ocean, taking them under its naval defense umbrella. India has also built a listening station on an island off the north coast of Madagascar, while planning a naval base on Agalega Island in Mauritius. Finally, India has been an active participant in naval infrastructure construction by Sri Lanka, Bangladesh, Iran, Myanmar and other countries around the Indian Ocean.

In order to counter China’s rising influence and increasing naval activity in the Indian Ocean, India has continuously exerted pressure in the region against China. First, it has interfered in internal politics in Bhutan, Maldives, Sri Lanka, Nepal and other South Asian neighbors to deter them from friendly ties with China, especially on a security level. Second, India has conducted ‘naval diplomacy,’ focusing on the development of military co-operation and joint naval exercises with countries who have naval disputes with China, such as the Philippines, Vietnam, Indonesia, South Korea, Japan, and other countries. India has engaged in ‘2+2’ diplomatic and defense dialogues with Japan, with a focus on maritime security cooperation. India has also pursued deep-sea co-operation with Vietnam, providing the Vietnamese Navy with modern military equipment, technology, and personnel training in exchange for naval docking rights in the port of Nha Trang (near the Spratly Islands). Third, India had meddled in the South China Sea by: calling it an area of interest while supporting the US push for freedom of movement in the waters; supporting multilateral solutions to the South China Sea disputes; and drilling for oil in disputed waters between China and Vietnam.

Of course, India’s regional security concerns are double-sided. These two sides manifest themselves in India’s ‘wary pursuit of co-operation’ with China, and its ‘collaborative but distant’ relationship with the US.

On one hand, due to their geographic proximity, China and India have reached a strategic consensus of maintaining regional stability in the relationship in order to promote economic development. The Sino-India border dispute is difficult to resolve, but the two sides cannot bear the consequences of a potential conflict, and must both prioritise crisis management as a joint solution. Meanwhile, Sino-Indian economic and trade co-operation has great potential; China has emerged as one of India’s largest trading partners, while India is China’s tenth largest trading partner. The increasingly close economic and trade relationship between the two countries is bound to strengthen their interdependence. Since Narendra Modi assumed power as Indian Prime Minister, the two countries have worked together to build a ‘closer partnership for development,’ while leaders from both sides have prioritised the stability of the relationship, especially since India does not seek a direct confrontation with China.

On the other hand, there are suspicions and strategic differences in the India-US relationship. First of all, India has always been reluctant to join in US military action in the Middle East, previously during the Gulf War, and recently in the sanctions and military intervention against Syria. Secondly, India has been extremely wary of the development of Pakistan-US
military relations. Thirdly, India is suspicious of US dominance in the region and would like to see the US reduce its military presence in the Indian Ocean. India believes that as the US and other Western nations continue to strengthen their military presence to exert control and influence on the Middle East and Indian Ocean regions, it will have a profound impact on the overall regional security environment. One of India’s major strategic goals is the ability to contain US military action in the Indian Ocean if there are significant changes in the regional strategic environment. In fact, India sees the US military presence in the Indian Ocean as a major threat to Indian security, on par with that of China. In other words, the India and the US share short-term strategic interests, but in the long run, the potential for structural conflict is evident as the two countries compete for dominance in the Indian Ocean.

It is important to note that India has long pursued a non-aligned foreign policy and has insisted on strategic autonomy to avoid foreign entanglements and the prospect of allying with a major power against a third country. Although there are vocal proponents within India clamoring to side with the US and Japan to balance against China, the mainstream opinion still advocates maintaining strategic autonomy and avoiding alliances that would make India part of a grouping, like the previous US, Japan, India, and Australia ‘Quadrilateral Security Dialogue.’ Unlike Japan, India will not likely become a reliable ally against China; in fact, there are many in India calling for Modi to be more cautious in moving too close to the US for fear of upsetting China. As a Hindu nationalist, Modi himself places a strong emphasis on strategic autonomy, and it is not clear how far he plans to pursue security co-operation with the US. In fact, Modi may be playing to his strengths by pursuing security co-operation with the US as well as closer economic ties with China at the same time.

RUSSIA

Australian Perspectives

In 2014, Putin destabilised Ukraine, compromised the economy of his own country, and caused severe damage to his country’s bilateral relations with Europe, the US and Australia. The annexation of Crimea, an illegal intervention in the internal affairs of the sovereign country Ukraine, followed by the fomenting of civil war in Ukraine through the covert use of Russian forces in the East, and notably the shooting down of flight MH17 by Russian rebels using arms supplied by Russia have all defined Putin as a President who is prepared to sacrifice human lives and the economic well-being of his own and neighbouring countries in the service of revanchist nationalist policies. The Australian government, during its 2014 Security Council Presidency, took a leading role in putting pressure on Russia following the MH17 incident.

Russia cares about China, which it views as the incipient global superpower, and hopes to leverage its relationship with China to influence European governments. And while a solution to finding a sustainable relationship with Europe and the US is still some way off, Russia is making use of the time to build ties with China. Russian diplomats and think tanks have also said that this is an opportune moment to look East more generally and examine their own role in Asian security affairs, including for example revigorating the six party talks, in which Russia previously played a leading role, even without the presence of the DPRK. However, Asia only earned only a cursory mention in Putin’s speech on the State of the Nation in December 2014, in which the foreign policy focus was firmly on Ukraine, Europe and the US.

Russia is a member of the Shanghai Co-operation Organisation (SCO), which in 2014 agreed to expand its membership beyond Russia, China and Central Asian countries, to include India, Pakistan, Iran and
Mongolia. The SCO was established originally in 2001 to counter terrorism and narcotics trafficking emanating from Afghanistan, but the leading states Russia and China have shown commitment to expanding the organisation with one of the clear objectives being to create a security pole providing an alternative to the US and NATO. The agreement to the accession of India has been an important step for Russia to achieve this, overcoming the problem of often tense relations between China and India, and avoiding the focus of the SCO turning to Central Asian economic activity, in which China has developed an insuperable lead.

Russia also participates in the East Asia Summit, but it seems that this is not a priority for Putin who has not attended any of the four Summit meetings since accession in 2010.

**Chinese Perspectives**

Russia is still in the midst of recovery, not from the recent financial crisis, but from the collapse of the Soviet Union over 20 years ago. This type of full-scale recovery impacts neighboring countries, and has posed a challenge to both NATO and the eastward expansion of the EU. The Russia-Georgia conflict, as well as the ongoing crisis in Ukraine, are symptoms of Russia’s reemergence. The direct result of the Russia-Georgia conflict was the ‘independence’ of both South Ossetia and Abkhazia, while making the prospect of Georgia joining NATO a distant possibility. During the ongoing Ukrainian crisis, Russian president Vladimir Putin has ignored NATO protests in occupying the Crimean region, which has dimmed the prospects of Ukraine joining NATO as well. From the Russian perspective, aligning former Soviet states under a new Russian umbrella is a primary foreign policy objective.

In the Asia-Pacific region, Russia has bolstered its influence and co-operation with regional players by participating APEC and ASEAN conferences, as well as establishing the Russia-ASEAN summit, and joining the East Asia Summit in 2010. To further strengthen its position in the Asia-Pacific security realm, Moscow has been committed to promoting the expansion of membership in the Shanghai Co-operation Organisation (SCO), wishing to enhance its influence while consolidating Asia-Pacific regional security mechanisms. Russia has also actively promoted China-Russia-India trilateral meetings, positioning them as a platform to coordinate regional discussion and co-operation. Russia has made an effort to play a role in North Korean nuclear disarmament by urging the ‘Six-Party Talks’ to restart, proposing the establishment of a Northeast Asia regional security mechanism, and promoting Russia-South Korea-North Korean trilateral projects to enhance its influence in Northeast Asia. Russia has noticeably increased its focus on Afghanistan, providing weapons and, as well as military training, to the Afghan government. Russia has also convened an annual meeting of leaders from Afghanistan, Pakistan, and Tajikistan to participate in a regional anti-drug summit, providing a glimpse of Moscow’s plans for regional influence in Central Asia after American occupation. In addition, Russia is also actively exporting arms to Asia-Pacific countries. According to Jane’s Defense Weekly, military arms and equipment purchases in the Asia-Pacific region will increase by thirty-five percent to around US$51 billion, a rapidly growing market which Russia hopes to capitalize. In recent years, nearly half of Russia’s arms exports were to Asia-Pacific countries, after signing a series of agreements with Myanmar, Malaysia, Indonesia, Sri Lanka and Vietnam. Putin has personally set a US$16-17 billion annual sales target for Russian arms exports in the next five-six years, with a focus on increasing arms sales to Asia-Pacific countries.

Objectively speaking, however, Russia plays a limited role in Asia-Pacific security matters. First of all, as its ‘window facing the Asia-Pacific,’ Russia’s Far East region lags behind in development with a population of less than seven million, poor natural conditions and infrastructure, as well as weak political and eco-
nomic links to the rest of the region. This means that Russia lacks a real starting point for its involvement in Asia-Pacific affairs. Secondly, Russia’s attention is limited and spread thin at the moment. Western sanctions and slumping oil prices have caused a noticeable decline in the Russia economy, with many budgetary investments going up in smoke. Russia’s grand ambitions to revitalize its Far East and strengthen its position in Asia-Pacific diplomacy may ultimately come to nothing without financial backing. In addition, the current crisis in Ukraine, coupled with Western sanctions, have sapped much of Russia’s energy and diverted its attention away from Asia-Pacific security concerns. Thirdly, most Asia-Pacific countries identify Russia as a European country, and when discussing Asia-Pacific affairs, Russia is usually mentioned in passing. The current US rebalancing strategy in the Asia-Pacific through strengthening political, economic, and military co-operation with its allies in the region has weakened Russia’s role in Asia-Pacific security affairs to some extent. Finally, Russia’s invasion of Ukraine and subsequent deteriorating relationship with the West have objectively put pressure on its relations with key US allies in the region, Japan and South Korea.

DEMOCRATIC PEOPLE’S REPUBLIC OF KOREA

Australian Perspectives

The DPRK’s security strategy is focused on internal security and regime support. The government employs coercive diplomacy regarding its diplomatic, economic, and security interests. A priority is development of strategic military capabilities, including nuclear weapons to deter attack, and challenging the RoK and its Alliance with the US. This also involves complete oppression of North Korean citizens, who are denied any civil, political, social or economic human rights, as the evidence provided by refugees amply demonstrates.

The security threat posed by North Korea is conventional as well as nuclear, as demonstrated by incidents such as the alleged shelling of Yeonpyeong Island and sinking of the Cheonan in 2010. North Korea has the capacity to threaten Asian security because of arms largely acquired from the Soviet Union, including missiles which can reach Seoul and Tokyo. North Korea is also a proliferator, for example selling missiles and missile technology to Iran and Pakistan in exchange for fuel and nuclear technology. However, it seems unlikely that Pyongyang would launch full-scale strikes against any of its numerous enemies. Kim Jong-Un’s main objective is regime survival, and he is fully aware of the huge strategic superiority of the US and its Allies, who have the power to obliterate the DPRK, should they consider the provocation sufficient. Nonetheless, the danger of miscalculation or a border incident escalating out of control is always present.

There seems to be little or no chance of persuading DPRK to abandon its nuclear programme through diplomacy. The six-party talks appear unlikely to resume. Bilateral diplomacy by the US in 2011 and 2012 failed when the ‘agreements’ were upended by North Korea’s 16th March 2012 announcement of its failed 12th April satellite launch. In December that year, the successful launch of a three-stage rocket from its Sohae launch facility directly violated UN Security Council Resolutions 1695, 1718, and 1874, prohibiting North Korea from conducting tests of any sort using ballistic missile technology, but also strengthened North Korea’s claim to a right to peaceful uses of space, and challenged the international community by revealing the UN resolutions as unenforceable. No matter how much diplomatic effort
might be expended, to abandon nuclear weapons voluntarily would in any case be ‘strategic suicide’ for the North Korean regime, so this is probably an impossible goal.

A continuation of the status quo may be the least-bad realistic option for DPRK policy, while maintaining pressure against horizontal and vertical proliferation, against the nuclear programme, and against the domestic abuse of human rights. The international community, including China, should continue to provide humanitarian assistance, as well as asylum for refugees.

**Chinese Perspectives**

*From the North Korean perspective, the development of nuclear power and missile capability is defensive strategy ensuring ‘self-preservation’ in the face of the overwhelming superiority of the combined US-South Korean forces. While the denuclearisation of the Korean Peninsula is at the center of attention, North Korea will not give up its nuclear development program unless there is a regional mechanism in place to ensure its security, a very difficult proposition. The continuous deployment of US-South Korean military exercises and anti-missile system testing has antagonised the DPRK, while justifying its nuclear development. North Korea has proposed the suspension of US-South Korea military exercises, but was promptly rejected, making it difficult to diffuse the nuclear situation through diplomatic channels.*

As a neighbour and ally, China cannot forcefully dictate terms to North Korea like other countries, but can only help to ensure political and regional stability. North Korea is a small yet proud country which does not respond well to accusations or threats, which is why China has always maintained active communication with the regime through various different channels. Based on past experience, not only have long-term sanctions failed to persuade North Korea to abandon nuclear arms development program effect, they have pushed North Korea to use nuclear missile testing as a bargaining chip in exchange for aid, which has increased tensions on the Korean peninsula and in the Northeast Asia region as a whole. Therefore, the international community should repeal sanctions against North Korea and instead, turn their attention to economic development to improve people’s living conditions, thus alleviating the tense situation in Northeast Asia, and eventually causing North Korea to abandon its nuclear program.

**ASEAN**

**Australian Perspectives**

ASEAN states that its core principles are inclusiveness, non-intervention and consensus-building. The organisation enjoys a certain centrality in the important Asian multilateral security bodies. It has progressively managed to reach out to almost all Asia-Pacific countries – through the ASEAN plus three (APT), ASEAN Regional Forum, the ASEAN Defence Ministers Meeting Plus (ADMM+), and the East Asia Summit (EAS).

ASEAN was launched as a political bloc and a security pact in the aftermath of the Vietnam war, but in practice the diplomatic grouping remains loose, while the economic agenda has become quite ambitious, with a pledge to form the ASEAN Economic Community, with its many promises of integration measures, by the end of 2015. The nature and interests of its membership are diverse, but they do share important security interests such as in keeping sea lines of communication open, avoiding conflict in Asia and, perhaps most importantly of all, non-traditional security matters such as counter-terrorism, counter piracy, combatting international crime, managing pandemics, and disaster relief.

ASEAN finds it challenging to take positions on controversial issues because its decisions are made by consensus, though they have on occasion man-
aged to produce joint statements on delicate topics such as the South China Sea disputes. But initiatives such as the establishment of ADMM+ and the East Asia Summit may be more significant in promoting regional peace and stability and improving co-operation on non-traditional security.

**Chinese Perspectives**

ASEAN is an important regional organization of the Asia-Pacific region. Although ASEAN members are all small and medium-sized countries, ASEAN as a regional organisation plays a key role in maintaining peace and stability in the region.

On the one hand, ASEAN is the centre of the regional security framework. This framework is not yet comprehensive, but with ASEAN at the centre, regional mechanisms such as the ADMM+, the ASEAN Regional Forum, the ASEAN Maritime Forum and the East Asia Summit are already promoting dialogue on all sides, promoting preventive diplomacy, building confidence-building measures, crisis management and such aspects, some more actively than others. Although the US-led alliance system will still play a very important role in building the regional security architecture, the “ASEAN +” mechanism has become increasingly relevant. We hope that it will ultimately integrate and create a regional security framework with Asian characteristics.

On the other hand, ASEAN has a significant impact on the resolution of other regional issues. Although China has repeatedly emphasised that the South China Sea dispute can only be resolved through bilateral negotiation between the countries concerned, in recent years there is an increasingly evident trend of a joint ASEAN voice on this issue. In the future, China will probably have to consider the role of ASEAN in resolving this matter. ASEAN’s position on the South China Sea is that it should be resolved through either bilateral or multilateral pressure on China. The question of ASEAN’s position on the South China Sea – multilateral pressure on China or bilateral dispute resolution – and ASEAN’s diplomatic choice – cooperation with China or leaning towards the US and Japan – will to a large extent determine the solution of the South China Sea dispute, and regional peace and stability. The South China Sea problem will also be a challenge for internal relations within ASEAN.

**TAIWAN**

**Australian Perspectives**

Taiwan is a much more important territorial issue for China than any rock or island in the South China Sea will ever be. This has long been one of the most important security risks in Asia, and recent stability now seems to be at risk. This is a critically important issue for global security. Richard Bush and Michael O’Hanlon of the Brookings Institution, for example, predict that a conflict over Taiwan could spark a nuclear war involving 1.5 billion people and produce a fundamental change in the international order. Nonetheless, the momentum in improving the relationship between mainland China and Taiwan has ground to a halt. The drubbing of the KMT in 2014’s local elections is one factor and sets the stage for the 2016 presidential elections. President Ma Ying-jeou cannot run again and has resigned as Chair of the KMT. The opposition Democratic Progressive Party (DPP), whose constitution calls for Taiwanese independence, is well positioned for 2016.

The main issue for voters was economics rather than cross-Strait relations, but the two are intertwined. Under Ma the economy has become increasingly dependent on China — and on Ma’s cross-Strait economic pacts. Ma signed several trade agreements with Beijing, opened cross-Strait’s direct air travel, and broadly expanded economic, cultural and social ties to the mainland. Mainland China has become Taiwan’s largest trading partner, taking forty percent of Taiwan’s exports and sixty-two percent of approved overseas investment in 2013. Several hundred thousand Taiwanese are estimated to live in China. This interdependence has been good for
relations across the Strait since the end of the DPP’s last tenure in power, in 2008.

But Taiwan’s economic dependence on China at a time of slow growth and growing income inequality has sparked popular dissent, most dramatically the youth-driven ‘Sunflower Movement’ in 2014, protesting a trade-in-services accord with Beijing.

Beijing’s tough response to pro-democracy protests in Hong Kong has hardened an already deep-seated aversion to political talks with Beijing. Xi has said that ‘Peaceful unification and ‘one country, two systems’ are our guiding principles in solving the Taiwan issue.’ It is impossible to imagine popular support for this track on the island now. In a 2014 survey by Chengchi University, 60.4 percent of respondents identified themselves as ‘Taiwanese’ and only 32.7 percent as ‘Taiwanese and Chinese’.

But Xi indicated a commitment to further progress when he became General Secretary in 2012. ‘Looking further ahead, the issue of political disagreements that exist between the two sides must reach a final resolution, step by step, and these issues cannot be passed on from generation to generation.’

Whoever wins the presidency in 2016, it is difficult to envision the next ‘step’ in Xi’s ‘step-by-step’ formulation and we can expect cross-Strait tensions to rise in the run-up with a heightened risk of a cross-Strait’s crisis. The increase in China’s military capability combined with strong promotion of nationalism at home mean that the risk of a crisis is high.

Although the government in Beijing is strongly opposed to official links between other nations and Taiwan’s government, other countries, particularly the US, have a role to play. The US should not pursue a false choice between pursuing relations with Taiwan and pursuing relations with Beijing. Trade and military links between the US and Taiwan are an important deterrent to any attempt at a military solution. The US is legally and historically committed ‘to enable Taiwan to maintain a sufficient self-defence capability,’ yet it has been more than three years since the last US arms sale, despite China’s rapid military expansion. Integrating Taiwan into regional trade arrangements such as the TPP may also calm fears of China-dependency amongst the electorate, permitting political talks to proceed.

Chinese Perspectives
Although the Taiwan ‘situation’ has been shaky recently, it is projected to be stable over the long term.

Recent political changes on the island have weakened the incumbent Kuomintang Party, while strengthening the independence-leaning opposition party, the DPP, which has increased tension across the Taiwan Strait. The reason for this is not a new adjustment in China’s Taiwan policy, such as cross-Strait negotiations and reunification, nor something that a bolstering of the US-Taiwan economic and military relationship can resolve. At the roots of this increased risk is the independence movement in Taiwan, as well as tacit US backing. Taiwan wishes to extend the status quo of de facto ‘independence’ forever, while still seeking the benefits of economic co-operation with the mainland, which is not only wishful thinking and selfish, but also a situation that the Chinese government and people will not accept. The US ‘defence of Taiwan,’ arms sales, and ‘deterrence’ of the mainland do not play a role in promoting the peaceful management of cross-Strait relations, but only serve US interests in the region. US backing of the Taiwan independence movement not only creates conflict between China and Taiwan, it damages mutual trust between China and the US.

US pulling Taiwan into the TPP will not help wean Taiwan off its economic dependence on the mainland, and is a bad idea not only because of the TPP’s un-
certain outlook, but also because Taiwan’s assertion on the international stage undermines the ‘One China’ position on both sides of the Strait, a proposition that is undesirable at best.

China’s Taiwan policy can be described as ‘improving upon a stable foundation,’ stressing continuity and development, while seeking to change the current status quo of political separation between Taiwan and the mainland. The promotion of eventual cross-Strait integration and reunification is in line with the interests of the Chinese people, and reflects the sense of historical mission and national responsibility on the part of the new CCP leadership. China has faith as well as patience, and is ready for a protracted ‘war of attrition’ to achieve the goal of reunification.

East Asian Maritime Security

Australian Perspectives

The continuing lack of progress towards a stable and sustainable solution to competing territorial claims in the South China Sea and East China Sea is problematic for Australia and China, though the respective interests are obviously different in some important respects. Both countries certainly recognise the importance of seeing freedom of navigation permanently secured. The vast majority of bilaterally traded goods between Australia and China pass through the South China Sea. The ‘Malacca dilemma’, (a phrase attributed to Hu Jintao in November 2003) expresses a perceived threat of a naval blockade of China’s oil imports, but not Japan’s, nor South Korea’s. However, the Australian side has put a much stronger emphasis on the importance of freedom of navigation in public statements on the South China Sea territorial disputes. Chinese officials repeat the line that freedom of navigation has never been interrupted, which is mainly true, but fails to meet concerns about the impact of a potential conflict.

TERRITORIAL DISPUTES

This recent official map released by the PRC government in 2014 shows a dashed line encircling not only the South China Sea, but also Taiwan and the Diaoyu/Senkaku Islands. China has around 0.9 million square kilometres of undisputed exclusive economic zone (EEZ), but lays claim to more than three million square kilometres, including territory also claimed by Japan, Vietnam and Philippines, and an EEZ which overlaps with the projection from the Natuna Islands, which belong to Indonesia.

The disputes in the East China Sea and the South China Sea are different in nature and in implication. Both entail some risk of conflict, though it is difficult to imagine that any of the parties involved would prefer this solution. Apart from the directly involved parties, the US is an important actor in both regions. This is partly because of security relationships with allies such as Japan and the Philippines but also because the US is the most active in asserting its right to conduct military activities in the Western Pacific. The US holds that the United Nations Convention on the Law of the Sea (UNCLOS) and state practice support the right of military forces of all nations to conduct military activities in EEZs without coastal state
notice or consent. China insists that reconnaissance activities undertaken without prior notification and without permission of the coastal state violate Chinese domestic law and international law. China routinely intercepts US reconnaissance flights conducted in its EEZ, sometimes increasing the risk of an accident similar to the April 2001 collision of a US EP-3 reconnaissance plane and a Chinese F-8 fighter jet near Hainan Island. Chinese vessels harassing a US Navy surveillance ship operating in its EEZ could trigger a comparable maritime incident, such as occurred in the 2009 incidents involving the USNS Impeccable and the USNS Victorious.\(^{14}\)

We can assume that China considers its claims to certain shoals and islands in the South China Sea as ‘a core interest’, given that this is a question of territory and sovereignty. The claims are also important to China in that a more extensive EEZ provides better access both to assumed hydrocarbon deposits, and to fishing. 2014 saw moments of extreme tension between China and Vietnam as China put an oil rig into disputed waters around the Paracel Islands. However signs such as the early removal of the rig, and China’s reliance on civilian and not military maritime enforcement vessels in the region appear to show a willingness not to escalate the disputes, while at the same time being careful not to make any compromise with regard to the territorial claims themselves. China has also restated repeatedly its commitment to the ASEAN declaration on the code of conduct. In a 2014 paper, Brendan Taylor of ANU argues that the South China Sea is not a flashpoint, and it is unhelpful to refer to it as such. He argues that the interests of the great powers, particularly China and the US, in this area are continually overstated, that China has made no promises to use ‘non-peaceful means’ to secure its interests (unlike with regard to Taiwan), and that the US would be highly unlikely to use naval dominance in the region against China, for example by blockading Malacca Straits shipping, except in the event of full scale war with China. Nonetheless, tensions are high, and popular demonstrations against China on the streets of Vietnam this year show that nationalism is not a Chinese prerogative. Further work on agreeing a code of conduct and pursuing dialogue on the issues with the relevant parties would be helpful. China, with a relatively strong ability to project military power in the area compared to other claimants, needs to take particular responsibility for maintaining calm. Further assertive steps such as a new ADIZ in the South China Sea, which commentators assume has been discussed in Beijing, would be seen as coercive, escalatory and extremely unhelpful, and certainly to the detriment of China-Australia relations.

The East China Sea is in many ways much more tense, given the extremely fragile nature of relations between China and Japan, and the level of deep-rooted historical resentment between the two countries. The claim of Taiwan is another complicating factor. The clear statement by President Obama during his 2013 visit to Tokyo that US security guarantees do also apply to the Diaoyu/Senkaku Islands has upped the stakes: both increasing the deterrent to coercive action by the parties, and providing that a conflict could escalate into nuclear war between the world’s two largest military powers.

Tensions between China and Japan date back at least to 1894, but the current row over the East China Sea was precipitated by a collision between a Chinese fishing boat and the Japanese coastguard in 2010, and the subsequent arrest of the captain of the fishing boat. Then in 2012, Japan adjusted the status quo around the islands, albeit ostensibly for sound reasons, by buying three islands from their private owner and nationalising them. The dispute thus came back down off the shelf. The dispute had a military aspect less obvious in the South China Sea, including penetration of the airspace leading to
fighter jet response. The Japanese defence ministry says they scrambled planes against Chinese planes 232 times during the first half of 2014.

The dispute between China and Japan has already been economically destabilising. The anti-Japan protests in Chinese cities, which followed the island purchase in 2012 led to a fifty percent drop in bilateral trade between these large and economically interdependent countries. Any major conflict between the two would have an enormous impact on other important Asian trading partners such as Australia. This is much more than a bilateral issue. Those interest groups who would like to see a reordering of power dynamics in Asia would certainly see conflict between China and Japan as an important opportunity to achieve this, and it would therefore be likely to spread far beyond the question of sovereignty over five uninhabited islets and three rocks.

SEA LANES OF COMMUNICATION

More than half of the world’s annual merchant fleet tonnage passes through the Straits of Malacca, Sundra, and Lombok, with the majority continuing on into the South China Sea. Tanker traffic through the Strait of Malacca leading into the South China Sea is more than three times greater than Suez Canal traffic, and well over five times more than the Panama Canal. Virtually all shipping that passes through the Malacca and Sunda Straits must pass near the Spratly Islands. The large volume of shipping in the South China Sea/Strait of Malacca littoral has created opportunities for attacks on merchant shipping. With the exception of 2007 to 2012, when piracy in East Africa experienced a sharp increase, the South China Sea has been the most piracy-prone region in the world, with up to 150 attacks per year.

Shipping (by tonnage) in the South China Sea is dominated by raw materials en route to East Asian countries. Most important is liquid bulk such as crude oil and liquefied natural gas (LNG), with dry bulk (mostly coal and iron ore) in second place. The US Energy Information Administration reports that in 2013, total world petroleum and other liquids production was about 90.1 million barrels per day (bbl/d). EIA estimates that about sixty-three percent of this amount (56.5 million bbl/d) traveled via seaborne trade. Oil tankers accounted for thirty percent of the world’s shipping by deadweight tonnage in 2013, according to data from the United Nations Conference on Trade and Development (UNCTAD).

International energy markets depend on reliable transport routes. Blocking a chokepoint, even temporarily, can lead to substantial increases in total
energy costs and world energy prices. Chokepoints also leave oil tankers vulnerable to theft from pirates, terrorist attacks, shipping accidents that can lead to disastrous oil spills, and political unrest in the form of wars or hostilities. Disruptions to these routes could affect oil prices and add thousands of miles of transit in alternative routes. The EIA asserts that, by volume of oil transit, the Strait of Hormuz, leading out of the Persian Gulf, and the Strait of Malacca, linking the Indian and Pacific Oceans, are the world’s most important strategic chokepoints.

There are alternatives for regional tanker traffic, though they are not convenient. The other major shipping lane in the region uses the Lombok and Makassar Straits, and continues into the Philippine Sea. Except for north-south traffic from Australia, it is not used as extensively as the Strait of Malacca and the South China Sea, since for most voyages it represents a longer voyage by several hundred miles.

As intra-ASEAN trade has markedly increased—from twenty-nine percent of total ASEAN trade in 1980 to forty-one percent in 2009—maintaining freedom of navigation has become of paramount importance for the region. This is also the case of course for Australia, as fifty to sixty percent of Australian trade passes through the South China Sea, and for China, highly dependent on imported energy and other resources.

Data from the IMO indicate that, while most ‘piracy’ in the South China Sea consists of petty crime in the Indonesian ports, the most serious attacks take place on the high seas, and are conducted by Malaysia-based organised crime syndicates. More effective policing of the high seas would clearly be desirable to reduce crime and improve freedom of navigation, but with territorial disputes persisting, particularly around the Spratly and Paracel Islands, this would be extremely difficult to achieve.

The influence of China is also changing the strategic landscape of the South Pacific Ocean including through Chinese development and expansion of ports in countries such as Tonga and PNG. Whether or not China has interests in establishing a ‘second island chain’, it has made clear that extending to this area, comprising the Bonins, the Marianas, Guam, and the Palau archipelago, is an important part of its maritime national defence capacity.

It is quite understandable that China needs to enhance its capacity to intervene in the region in order to project its own growing interests there, but this capacity increase nonetheless creates a new dynamic.

China sailed three small warships past Australia’s outpost on Christmas Island in February 2014, signaling the demise of the West’s maritime predominance and pointing out to Australia the need to take China seriously as a great power in a period where Australia had strongly emphasised defence links with the US and Japan. However, as Hugh White commented at the time, it is also important to keep the military developments in perspective. What navies can do in peacetime is a poor guide to what they could do in a war. China may now have the ability to keep the US away from its coastline, but other countries, the US of course, but also Japan, India and others – perhaps even Australia - will be able to deny Chinese sea power in the same way. This complex strategic scenario will require very flexible diplomacy from all the parties to prevent friction arising.

Chinese Perspectives

In recent years, tensions have been bubbling in the East China Sea and South China Sea, becoming one of the flash points for potential conflict in the region. Although Australia is not a part of the territorial disputes in these waters, as a US ally and key hub in the ‘Asia-Pacific rebalancing strategy,’ coupled with its ambitions to play a larger role in the India and Pacific Ocean regions, Australia has challenged China’s legitimate actions to protect its sovereignty in the
East and South China Seas. This does not bode well for mutual trust, as it is clear that there are strong misunderstandings of the territorial disputes between China and Australia.

Like the US and Japan, Australia sees China as a ‘revisionist’ power in the region, and believes that China has begun taking maritime disputes into its own hands. Historically, however, China has always kept its restraint in the East China and South China seas, seeking instead to put aside disputes and pursue common development. It has usually been other parties in the disputes who have stirred up trouble from time to time, forcing China to take the necessary countermeasures. In 2012, the Philippines navy detained Chinese fishermen, leading to the ‘Scarborough Shoal standoff,’ while Japan has attempted to ‘nationalize’ the Diaoyu/Senkaku Islands; both cases have escalated disputes in the South China Sea and East China Sea, respectively. If China's responses to these escalations are to be seen as ‘assertive,’ then the behavior of the parties can be described as ‘provocative,’ while intervention by the US, Australia, and other countries outside of the disputes would only complicate matters.

The East China and South China Sea disputes are between China and relevant third parties, but have been affected by outside intervention, especially from the US. In recent years, through spokesperson statements, resolutions of Congress, speeches at high-level multilateral events and the like, the US has criticised China for using unilateral, coercive behaviour, and denounced China for jeopardising regional stability, even by such means as strengthening the military presence and patrolling in disputed maritime areas, constantly provoking China’s position on sovereignty. From the Chinese perspective, the US has indulged provocative behaviour by Japan and the Philippines, siding with them so far as to even publicly support them, while blaming China unscrupulously for its moderate countermeasures, a stance founded on obvious ‘double standards.’ On the Diaoyu/Senkaku Islands issue, the US has repeatedly declared the islands to be under Japanese administrative jurisdiction, and in Obama’s visit to Japan in April 2014, he declared the Diaoyu/Senkaku Islands dispute to be part of the US-Japan security treaty, the first time a US president has made such a statement. As for the South China Sea disputes, the US has frequently issued statements condemning China for ‘exacerbating regional tensions’ after incidents such as the ‘Scarborough Shoal standoff’ between China and the Philippines, and the, ‘Haixiang Shiyou 981 standoff’ between China and Vietnam, while also painting China’s land reclamation projects in the Paracel and Spratly islands as the building of a ‘Great Wall of Sand.’ The US has continued to strengthen its regional military presence, and has revised ‘The Guidelines for Japan-US Defense Co-operation’ in 2015, and signed the Enhanced Defense Co-operation Agreement (EDCA) with the Philippines, as well as the ‘Force Posture Agreement’ with Australia, both in 2014. The signals the influx of more advanced weaponry to the region, as well as the increase of targeted military exercises. The US has also pursued military co-operation with Vietnam through the partial lifting of arms sales and helping to strengthen Vietnam’s maritime law enforcement capacity. Clearly, current US policies have sent the wrong signal to other parties in the regional disputes, and its rebalancing strategy comes with a strong military context, which has emboldened key regional actors to become tougher on China in their maritime disputes.

Of course, when observing regional maritime disputes, it is important to consider China’s resolute determination to safeguard its maritime rights and interests. China has adhered to a ‘good neighbor’ policy based on ‘amicity, sincerity, mutual benefit and inclusiveness,’ as well as ‘shelving disputes for common development’ in regards to maritime disputes with other countries, and has insisted on freedom of the seas under international law in the disputed areas. Faced with provocation by other parties in the disputes, China has had no choice but to implement appropria-
ate countermeasures. In the East China Sea, China is committed to improving relations with Japan, but has also gradually implemented the air defense identification zone, maintained freedom of navigation in the disputed areas, and promoted development of oil and gas exploration, while paying close attention to changes in Japanese defense policy. In the South China Sea, China has advocated ‘dual-track’ thinking to separate maritime disputes from the overall stable development in the region, and has maintained a positive and open attitude to establishing a ‘code of conduct’ in the South China Sea. At the same time, however, China has rejected any attempts to resolve the disputes multilaterally either through ASEAN or another international body. In addition, China has accelerated the pace of construction on islands and reefs in the disputed areas over the past year. The most important objective has been to strengthen China’s capacity to provide public goods to neighboring countries and actors, such as maritime search and rescue operations, meteorological observation, and oceanographic research. There is no clause in international law to prohibit building on islands and reefs. Moreover, in comparison with the other countries staking claims to the Spratly islands, China’s building activities were slow to start. China has been criticised because of the fast pace and large scale of its construction activities. This is groundless in international law and unjust in diplomatic relations.

China insists that all countries have the legitimate right to enjoy freedom of navigation in the South China Sea and that the regional maritime disputes do not interfere with this right, thus bringing to question the true intentions of countries which have blocked freedom of navigation in the area. In fact, ensuring freedom of navigation in the South China Sea is vital to China’s economic security, as ninety percent of China’s foreign exports are shipped out by sea, and more than half of all foreign trade goes through the South China Sea. It is also the waterway used to deliver over eighty percent of China’s crude imports, as well as iron ore, copper, and other commodities. Other East Asian countries like Japan and South Korea also rely on the South China Sea for their crude oil imports, so it is in the interests of all parties to maintain freedom of navigation in the region. The US recently despatched a warship within the twelve nautical mile territorial sea of China’s Spratly islands, and furthermore said that in the future this kind of patrol would be the ‘normal situation’. The only possible result of this can be to send an erroneous signal to the countries in the region ‘pouring oil on the fire’ of the situation in the South China Sea. US actions to promote militarisation in the South China Sea are extremely irresponsible. In fact, freedom of navigation in the South China sea is a false proposition, as maritime security is the most pressing concern in the region. China, the US, and all interested parties should recognise that currently, the greatest threat to open sea lanes does not derive from conflict between great powers, but instead from maritime terrorism and piracy from non-state actors, as well as potential natural disasters. According to a report released by the International Maritime Bureau (IMB), there were 141 pirate attacks in the Straits of Malacca in 2014, which accounts for 57.6 percent of worldwide pirate attacks for the year, and far outnumbering the eleven cases of pirate attacks off the coast of Somalia in the same year.
China supports deeper engagement by Australia in Asia-Pacific affairs, and understands that the US-Australia alliance dictates Australian foreign policy to a large extent, but has reservations about the intent of the US-Australia military co-operation, as well as Australia’s actions with regards to the East China and South China Sea disputes. Australia needs to recognize that disputes in the East China and South China seas do not dictate China’s bi-lateral relations with the respective parties in the dispute, nor do they impact China’s relations with nations outside of the disputes, and that excessive interference from outside forces can only complicate matters and increase regional instability. China is committed to dealing with maritime disputes in an appropriate manner through the active promotion of joint co-operation with relevant countries and a sustainable security concept that includes Australia as a strategic partner. China is committed to dealing with maritime disputes in an appropriate manner actively promoting a sustainable security concept through the active promotion of joint, comprehensive, co-operation with relevant countries. China also hopes to expand co-operation with Australia in the South Pacific and such regions.

Regional Security Architecture

Australian Perspectives

EAST ASIA SUMMIT
The 2014 East Asia Summit in Naypyidaw fell in between the Beijing APEC Summit and the G20 Summit in Brisbane. This put pressure on the EAS to prove its value as a separate forum.

The EAS was created in 2005 and originally had sixteen members: the ten members of the ASEAN ‘plus three’ (China, Japan and South Korea), Australia, India and New Zealand. In 2011, Russia and the US joined as part of their respective efforts to signal greater political engagement in the region. It was created to provide a leaders’ level meeting that had a broad policy remit. In contrast to APEC, which has a narrow focus on economic matters, the EAS mandate is for the full spectrum of government activity. The EAS has ASEAN centrality, but counts some of the most important global players amongst its eight other members.

The EAS has had few substantive achievements so far, but it has political weight and potential to play a role in helping to stabilise the region. To achieve this the EAS needs to have a clear purpose and a division of labour between itself and other regional mechanisms. It needs to give strategic guidance on priorities and direction for ASEAN-centred functional bodies such as the ASEAN-Plus Defence Ministers’ Meeting. It should also develop a set of priority issue areas where it can make a real difference. These could include both energy and maritime security, beyond humanitarian and disaster-relief. The EAS should promote co-operation on security issues as well as policy collaboration. The lengthy statement from the Naypyidaw Summit contains many useful elements, and the intention to secure more institutional support from the ASEAN secretariat in order to realise these.

ASEAN DEFENCE MINISTERS MEETING PLUS (ADMM+)

The ADMM+ is another institutional gathering at Defence Ministers level, with the same membership as the EAS, and now plans to meet every two years (rather than every three, as originally envisaged). The inaugural meeting was held in 2010 in Hanoi.

At the first meeting the ADMM+ decided to focus on five priority areas of co-operation: humanitarian assistance and disaster relief (HADR), medicine, maritime security, peacekeeping and counter-terrorism. The main focus over the last few years has been on HADR and military medicine, and in 2013 the members held a military exercise in Brunei involving seven ships, fifteen helicopters and around 3,200 personnel from eighteen different countries.
The fact that ships and forces from countries like Japan, China, Singapore, the US, Vietnam and India, among others were working together was important. The exercise showed that ADMM+ could become a forum for militaries of the extended region to engage in real confidence-building measures.

However, the ADMM+ has achieved limited progress in maritime security. While the emphasis on non-traditional security for the first few years was appropriate, such missions are not the military’s core task. Part of the problem is ASEAN reluctance to get involved in territorial disputes in the South China Sea. This is partly why the countries involved still look to the US for security, rather than to ADMM+.

As Anit Mukherjee writes the key reason and the driver for the ADMM+ has been ASEAN centrality, and this organisation must, first and foremost, serve the interests of the ASEAN region. But this requires that tough and difficult issues be discussed to avoid keeping ADMM+ as a diplomatic discussion forum. The countries involved might consider practical initiatives such as a joint operations room for exchange of information on commercial and naval shipping, without prejudice to questions of territory in the area concerned.

Chinese Perspectives

The international system has been undergoing a transition in recent years, as the Asia-Pacific region has assumed its position at the heart of the global political economy. At the same time, there are many challenges to security and development in the region, due to a clear lack of regional and international mechanisms to ensure security and stability. Establishing a new multi-lateral regional security architecture is a pressing concern in the Asia-Pacific.

After the end of the Cold War, security cooperation in the Asia-Pacific region has entered a new stage, as a nascent multilateral security architecture has taken form. First of all, ‘collective consciousness’ has gradually given way to a ‘regional consciousness.’ ASEAN has established a grouping which includes a collective security entity, a concept first proposed by the US in the last century as a new Asia-Pacific community. ‘ASEAN + 3’ is dedicated to establishing an East Asian community, while China has proposed the idea of a ‘collective entity to unite mankind.’ In this context, new security concepts like common security, comprehensive security, co-operative security, and sustainable security are becoming widely accepted on a regional level. Secondly, there has been a proliferation of regional security mechanisms, namely the ASEAN Regional Forum (ARF), the SCO, Six-Party Talks (DPRK Nuclear Issue), the Shangri-La Dialogue, the East Asia Summit (EAS), and the expanded ASEAN Defense Ministers Meeting (ADMM+). Finally, security co-operation has deepened, such as in the case of the ASEAN Regional Forum moving from confidence-building measures (CBMs) to preventative diplomacy, or the observer exchange between ASEAN and the SCO to enhance coordination between different security mechanisms.

At the same time, there are many visions of a multi-lateral security architecture in the Asia-Pacific region, the first of which is one centered around ASEAN. A proposed future regional security framework would be built on the foundation of the ARF, the EAS, and the expanded ADMM. This scenario would be realistic and easily accepted by the major powers in the region, but would be rather inefficient. The second vision would be one led by major powers in the region, such as the US, China, Russia, Japan, India, and Australia, similar to former Australia PM Kevin Rudd’s proposal of an ‘Asian Pacific Community.’ This was rejected by ASEAN, but led to the expansion of EAS to include the US and Russia. The third vision is to connect the various regional security mechanisms via intermediary links to form a loose network in the Asia-Pacific. This concept is easy to achieve, but is limited in effect. The fourth vision is a pyramid structure of regional security with the China-US new great power relation-
ship at the top, followed by triangular relationships such as China-US-Japan or China-US-Russia, and supported by existing regional mechanisms such as the EAS at the foundation. The fifth vision is similar to the Organization for Security and Co-operation in Europe (OSCE) as proposed by a Russian scholar, a trans-Pacific security framework covering both the Asia-Pacific and North America.

In the era of globalisation, security and development interests are inseparable, and in order to maintain collective development in the Asia-Pacific region, every country must share in the collective responsibility of common security. Taking into account the dynamism, diversity, and complex security situation that exists in the region, Chinese leaders have repeatedly stressed the need to establish an inclusive, open, pluralistic, and balanced collective security architecture for the Asia-Pacific. It should be different from entities such as EU, NATO, and OSCE, which have a singular focus, but instead integrate various different co-operative frameworks in a non-confrontational, non-clique, non-discriminatory, non-disruptive, and inclusive way. First, it should not exclude the US-led alliance system. Secondly, it should be founded on ASEAN-led mechanisms such as the ARF, the EAS, and the expanded ADMM. Thirdly, it should strongly consider the active role of China in maintaining regional security.

At the same time, the development of a multilateral security framework in the Asia-Pacific will not be completed overnight; instead it will be an ongoing and gradual process which seeks to advance common interests to form a regional identity through working out differences and building consensus. It will need to comply with the spirit of the UN Charter and those of regional organisations, and comply with the principles of peaceful coexistence, co-operation between countries, and non-interference in other’s sovereign affairs. The framework must also promote innovative strategic thinking, build a co-operative platform, and support identity formation in order to ensure a more favorable security environment in the Asia-Pacific for regional development.

Counter Terrorism

Australian Perspectives

Australia’s chief concerns about international terrorism relate to Jihad in the Gulf and Middle East, in which Australian nationals have been involved, and the possibility of related terrorist attacks at home. The continuing rise of Islamic State and its apparent new strategy for international attacks has made this even more acute. This is reflected in the 2015 national Counter Terrorism Strategy.19 However, most of Australia’s international co-operation on counter-terrorism is with countries in the Indo Pacific. In Asia, the principle risk areas are Indonesia and the Southern Philippines. The tri-border region of the Sulu Sea is also an area of concern for cross-border weapons smuggling and kidnapping for ransom. Australians still have vivid memories of the Bali bombing in a Kuta nightclub in 2002 in which 88 Australians were killed.

Australia is recognised as a regional leader in the fight against terrorism and has worked to strengthen the Asia-Pacific region’s counterterrorism capacity through a range of bilateral and regional initiatives in organisations such as ASEAN, the ASEAN Regional Forum, and the Pacific Island Forum.20

Australia took new counter terrorism measures in 2014, with AU$600 million of new funding for agencies, and programmes to bolster monitoring and disruption activities in Australia and overseas. Legislative measures are proposed to toughen national security laws and strengthen ability to arrest, monitor, investigate and prosecute returning foreign fighters, prevent extremists departing and broaden
the criteria for terrorist organisations to include those that encourage terrorist acts. Further aims are to: increase intelligence collection and assessment to better understand the onshore and offshore threat; enhance border protection measures to prevent terrorists leaving Australia and identify those wanting to return; improve the technical capabilities of Australia’s agencies; and provide adequate resources to engage those at risk of radicalisation. Because the measures enhances the capabilities of the federal police and intelligence agencies where terrorism is suspected they have been controversial and raised fears of infringement of civil liberties.21

Australia in 2003 created the position of counter-terrorism Ambassador, responsible for developing and implementing Australia’s international counter-terrorism efforts, coordinating policy cooperation, capacity building and operational collaboration between Australian agencies and international counter-terrorism partners.

Australia’s international counter-terrorism efforts include government-to-government practical co-operation with key partners. This supports a range of capability development and capacity building activities with bilateral partners, particularly in the Indo-Pacific Region. Australia has concluded Memoranda of Understanding (MOUs) on counter-terrorism with Indonesia, the Philippines, Malaysia, Cambodia, Thailand, Brunei, Fiji, Papua New Guinea, East Timor, India, Pakistan, Afghanistan, Turkey, Bangladesh, the United Arab Emirates (UAE), Saudi Arabia and France. The MOUs provide frameworks to develop a sense of common purpose, share information, and facilitate practical counter-terrorism activities.22 There is no bilateral dialogue between China and Australia on counter-terrorism, though the subject features in the regular strategic dialogue.

There is multilateral and regional engagement on counter-terrorism in Asia, mainly aimed at reinforcing border security, and projects such as the Global Counterterrorism Forum’s Detention and Reintegration Working Group, promoting capacity building in the management of terrorist prisoners.

An important factor will be the development of the situation in Afghanistan. The withdrawal of troops has in some areas left a vacuum for Taliban groups to reform power bases, and terrorist attacks in Afghanistan continue. But it is certain that a variety of international interests will still be at stake in Afghanistan for a long time. They include regional stability and competition, counterterrorism objectives, and humanitarian and moral interests -- as well as obligations. Even without international troops, the US and the international community will continue to be engaged in Afghanistan. Some countries, such as Pakistan and India, may once again turn Afghanistan into the location of their proxy wars. Iran, Russia, and perhaps China may compete with each other in extending their influence to protect their respective geostrategic and economic interests. These countries may also work together, including through the SCO, to find solutions to security problems.

Chinese Perspectives
In recent years, with the rise of the Islamic State (ISIS) challenging Al Qaeda for leadership of the global jihad, international terror activities can be said to have three distinct characteristics.

First, there is a more prominent cross-border movement and flow of terrorists. Taking Al Qaeda, ISIS, Boko Haram, and Al-Qaeda in the Islamic Maghreb (AQIM) as the boundaries, the global cross-border flow of terrorism is mainly concentrated in four regions: South Asia (Afghanistan, Pakistan), Middle East (Iraq, Syria, Turkey), West Africa (Nigeria, Cameroon, Chad, Niger) and North Africa (Algeria, Tunisia, Mali, Morocco, Libya). Major terrorist groups in these areas are engaged in kidnapping, smuggling, drug trafficking, and other transnational
organised crime. Presently, the international community and individual countries cannot effectively deal with these criminal activities, while cross-border movement of terrorism further intensifies.

Second, is the increased spillover of jihadist elements from Iran and Syria. Currently, the influence of foreign jihadist elements is evident in the wave of similar terrorist attacks in the US, Europe, South Asia, Central Asia, and Southeast Asia. As the international community and countries in the region strengthen anti-terrorist crackdowns, and ISIS gains more traction outside of its borders, a number of foreign terrorists will either return to their home nations or flee to other regions. Previously, foreign jihadists who fought in Somalia and Afghanistan returned to their home countries, sparking a wave of local jihad movements. Jihadists from Iran and Syria may spark a new global jihad movement.

Third, the state of international terrorism has become more complicated in the post-Afghanistan era, as Al Qaeda and ISIS tussle for leadership of the global jihad. Given the fragility of the political situation in Iraq and Syria, the complexity of sectarian conflict, the tacit support for ISIS among many countries in the Middle East and its growing strength as a global force, the chances of the US, Europe, and the international community defeating ISIS in the short term are extremely slim. In the post-Afghanistan era, Al Qaeda has made inroads in South Asia, while the Taliban have made a comeback in Pakistan. The US and the international community must be prepared to deal with two violent terrorist threats simultaneously, while preventing the global situation from deteriorating into further violence.

Currently, China’s main terrorist threat is from the East Turkestan Islamic Movement (ETIM) from its northwest restive region of Xinjiang. International terrorist activity in areas bordering China has had an adverse impact on the country’s anti-terrorism campaign, while international terrorist activity in high-risk regions in Asia and Africa threaten China’s interests abroad.

First, the cross-border movement of East Turkistan terrorists has intensified, making them an important component of the international jihadist network. The ETIM has continuously launched attacks inside China, and has now linked up with international terrorist organisations to send members to participate in conflicts abroad, representing a major source of instability both regionally and in the international community. Currently, there are between 100-300 Xinjiang extremists participating in the war in Syria. Extremists within China will first cross over to Southeast Asian countries, then transit via Turkey to Iraq and Syria, or to Afghanistan and Pakistan. China has apprehended a number of extremists in Xinjiang who have returned from the Syrian conflict to plan attacks domestically.

Second, the withdrawal of US troops from Afghanistan has left the country on the brink of turmoil. The Afghan military police lack the capacity to deal with insurgents in a tense security environment, in which the Taliban, Al Qaeda, and other terrorist groups have increased their activities and continued to absorb foreign jihadists. The Pakistani Taliban has expanded beyond its traditional tribal borders into northern areas bordering Xinjiang province, as well as to Pakistan-administered Kashmir, presenting a regional threat. Terrorist activity in the Wakhan corridor in Badakhshan, Afghanistan has intensified, while the Islamic Movement of Uzbekistan (IMU) has returned to Central Asia, posing an increasingly serious threat to the region. ISIS has rapidly penetrated Southeast Asia, South Asia and Central Asia, while Al Qaeda has established a subdivision in the Indian subcontinent. There is also an increasing risk of ETIM extremists partnering with international terrorist groups to conduct terrorist attacks in southern China, which poses a grave threat to China and neighboring countries.

In light of this, China believes that terrorism is a global scourge, and is willing to work together with the international community to prevent and crackdown on terrorist activities to ensure the security of Cyber Security is a big problem for China
Photo: defenseone.com
ordinary civilians, while maintaining peace and stability. Consequently, terrorism is a new area of security co-operation in which China can work together with all regional actors, including Australia.

Cyber Security

Australian Perspectives

In the evolving strategic landscape of the Asia-Pacific region, a number of countries have acquired or are seeking the capability to undertake cyber operations for defensive, offensive and espionage purposes. This is not surprising in an environment such as cyberspace where gains are high, the probability of detection is low and total deniability is normal. Moreover, there is little agreement between states on what cyber security means. Cyber security threats can be viewed as either politically motivated, such as cyber warfare, cyber terrorism, espionage, and ‘hacktivism’, or non-political, including financially motivated, intellectual property theft, and fraud, as well as hacking for personal reasons.

What’s interesting about this categorisation is the notion that co-operation is difficult between countries in regards to politically motivated threats, while there is often agreement regarding cyber crime, even if, at the margins, what is categorised as a crime by one state may not be a crime for another. Developing meaningful dialogue around the subject is extremely challenging where States know they are targets for cyber espionage (this is one of the most challenging issues in the US-China relationship, and a growing one for the Australia-China relationship), and where countries like Australia or the US perceive cyber policy in countries with autocratic systems, particularly China and Russia, as using cyber security policy principally to support the government in power, rather than to protect the interests of the people.

Cyber security concerns are edging higher on policy agendas worldwide, but establishing cyberspace rules is growing more challenging. International cyberspace meetings have multiplied. In 2015, the Netherlands will host the fourth international cyberspace conference in The Hague. That summit is the next in a series of events—previous conferences have been held in London, Budapest and Seoul—that flow from then UK Foreign Secretary William Hague’s proposal at the 2011 Munich Security Conference ‘to consider how to reach international agreements about behaviour in cyberspace.’ Such meetings need to encourage industry and civil society to join cyberspace discussions as stakeholders along with governments, and underline the importance of moving beyond simple awareness about cyberspace issues, to taking action and building cyber capacity.

The 2014 meeting, hosted by South Korea, focused on the role of developing nations in cyberspace debates. The meeting was criticised for being dominated by government voices and few figures from industry. It made little progress. Australian Foreign Minister Julie Bishop was quoted in Seoul as saying ‘governments are not generally the best or first place to look for solutions to the internet’s challenges.’ The Netherlands showed commitment to a multi-stakeholder approach to finding creative solutions in their own 2013 cyber strategy, though it is difficult to pinpoint much progress from the Hague Conference of April 2015.

The 2014 ASEAN Regional Forum workshop on cyber security, which was just such a multi-disciplinary meeting and conducted in an informal atmosphere, has been cited as a better example of how regional engagement, matched with practical confidence building, can promote an open and secure cyberspace. The core aim of the ARF workshop was to establish a network of contacts within ASEAN states that could be activated in times of cyber crisis. The Australian co-hosts said that there was strong appetite for discussion mechanisms between states—a refreshing change from the diplomatic finger pointing that might have been expected. The workshop had some success in identifying appropriate points
of contact, and underlined that this needed to be developed and maintained over the coming months and years. The second big theme was the clear requirement for baselines of domestic cyber coordination and technical capabilities across ASEAN states. A desktop exercise showed an imbalance in different nations’ responses. Nations have different levels of technical capacity, expertise, and legislation which again becomes problematic when countries are attempting to de-escalate cyber incidents. This makes rapid decision making particularly challenging. Australia itself also needs to increase technical capability in this area.

Chinese Perspectives

Threats posed by cyberspace is one of the greatest global challenges in the twenty-first century, and is also one of the most uncertain elements affecting inter-state relations, as well as international peace and security. Information communications technology (ICT) covers all areas of social life, and the threat posed by cyber attacks affects information infrastructure, industrial control systems, and other information systems, and the integrity, credibility, and usability of data contained in those systems. Increasing cyber attacks against financial, transportation, and other basic infrastructure networks have caused more damage as a result. Cybercrime has become rampant, and terrorists now utilise online social media networks to promote extremist ideas, spread information about terror activities, recruit new members, and plan attacks, including virtual ones. Large-scale network monitoring not only infringes on the privacy of individuals, it adversely affects the stability of global online networks. The militarisation of cyberspace is a growing trend, as more and more countries have established cyberwarfare divisions to develop virtual weapons and conduct cyberattacks, which increases mistrust between nations as well as becoming one of the major threats to global peace and security.

The Chinese leadership has concluded that, ‘without cyber security, there is no national security.’ This statement reflects the reality for most countries in the digital age. Cyberspace is no longer a virtual space, but one which is increasingly connected to the physical world. ICT is one of the strongest forces pushing forth global economic growth and industrial restructuring. A safe, credible, interoperable, and resilient cyberspace is at the core of a flourishing online economy as well as the transition from a traditional to smart industry. China is one of the biggest beneficiaries of ICT, with 632 million Internet users. According to a estimate by consulting firm McKinsey & Company, the online economy accounted for 4.4 percent of China’s GDP in 2014, making China one of the world’s largest digital marketplaces. Maintaining cybersecurity is one of the biggest challenges to ensuring China’s economic and social prosperity, as well as the protecting the vital interests of each individual citizen.

Faced with the complex challenges posed by cyberspace, the participation of multi-stakeholders is inevitable. However, the international community has yet to reach consensus on the role played by governments, businesses, NGOs, civil societies, and individuals in dealing with cyberthreats. The multilateral, democratic, and transparent system of global internet governance depicted at the 2005 World Summit on the Information Society (WSIS) requires the collective effort and joint consultation of all countries. China believes that in order to establish a peaceful, secure, open, and collaborative cyberspace, major powers must play a role in aggregating collective energy and wisdom to build and share in this realm. The UN Group of Governmental Experts (GGE) on Information Security has actively sought to define the boundaries of internet security, and as well as international norms for cyberspace conduct. In a June 2013 report released by the UN GGE on Information Security, fifteen countries (including China and Australia) agreed to international law (especially the ‘UN Charter’) applying to ICT use, which is critical step in maintaining cyber peace and stability, as well as the promoting an open, secure, peaceful, and accessible ICT environment. The agreement also granted state sovereignty over ICT activities originating in or from infrastructure based in given countries. In January 2015, after full consulta-
tion with all parties, China, along with Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan, submitted a revised version of the ‘International Code of Conduct for Information Security’ to the UN General Assembly in the hopes that it would promote the discussion by the international community regarding the code of conduct governing state behavior in cyberspace. These efforts provide a useful guide for the international response to challenges posed by cyberspace security.

Cybersecurity is dependent on international co-operation. Currently, the three inter-state levels of bilateral, multilateral, and international co-operation are mutually complementary. For example, there are consultative mechanisms in China’s bilateral dealings on cybersecurity with the UK, France, and Germany, as well as the China, Japan, South Korea triangle. China has also always had pragmatic and effective co-operation with the US in the areas of emergency response, law enforcement, and other cybersecurity initiatives. Through these co-operative mechanisms, China has set a foundation for establishing mutual trust through the comprehensive exposition of cyberspace strategies, policies, and initiatives. China has also partnered with ASEAN on cyberspace co-operation in various fields, and is committed to assisting ASEAN countries in bridging the ‘digital divide,’ promoting ICT network infrastructure construction, and jointly working to improve cybersecurity capabilities.

**Broader Security Issues**

**ECONOMIC CO-OPERATION INCLUDING TRADE AGREEMENTS**

**Australian Perspectives**

The liberal ideal dictates that trade and investment, together with international institutions will effectively damp down rivalry and reduce insecurity in international relations, but this may be wishful thinking. Strong economic interdependence between Japan and China has done little to reduce hostility, and Chinese troops confronted Indians in a disputed area of Kashmir at the same time as Xi Jinping was discussing new economic co-operation with Modi in New Delhi in September 2014. China has benefited economically from globalisation and the US-led order more than probably any other country. This makes China’s US policy quite nuanced, and may reduce the likelihood of very aggressive actions by China in pursuit of security objectives (and therefore conflict), but it has not stopped China from being assertive and confrontational in pursuit of strategic goals.

Rivalry between China and the US has also been played out in the promotion of free-trade agreements as the US works to conclude the TPP, without China, and the TTIP with Europe, and China pushes for a Free Trade Area of the Asia Pacific. While China is not excluded from the TPP, they have real concerns about joining a US-led agreement: yet another multilateral framework in which China will have little say in establishing the rules and norms. The US has an equal and opposite interest in being in the lead.

In the meantime, with no progress in the Doha Round negotiations, there has been an enthusiastic spate of bilateral agreements, with Australia concluding FTAs with China, RoK and Japan this year, and China has thirteen FTAs and another seven negotiations underway, in addition to bilateral investment treaty negotiations with partners such as the European Union. We must hope that growing trade and investment relationships, and the deep and long-term people-to-people relationships engendered, support political efforts to increase mutual trust and reduce appetite for conflict, though they cannot achieve these goals alone.
Chinese Perspectives

Strengthening economic relations contributes to the mutual interests of two countries and promotes interdependence, which may act as an anchor for relations between great powers. Although close trade relationships may not prevent or totally eliminate political conflicts and disputes between two or more nations, they reduce the likelihood of large-scale conflicts. Economic co-operation may not completely eliminate the possibility of confrontation between states, but it is a necessary foundation for political and diplomatic exchange. The absence of economic co-operation, on the other hand, increases the risk of inter-state conflict. The process of European political integration is based on the foundation of economic integration; the future of integration in the Asia-Pacific is also inseparable from economic integration. Although there are a variety of challenges and obstacles facing the region, the integration of trade and investment in Asia-Pacific and its various subregions should be a collective goal moving forward.

China's bilateral relationships with countries such as the US, Australia, Japan, South Korea, and India are where they are today in large part due to the deepening of economic exchange. Conflicts and frictions have also increased to some extent due to these closer economic ties, but only further economic integration, coupled with political exchanges and dialogue, can resolve these issues.

China and the US have competing visions for promoting economic governance in the Asia-Pacific region, but it is not necessary a zero-sum game; to some extent these visions are complementary. China will continue to actively participate in multilateral international economic governance mechanisms such as the World Bank, the International Monetary Fund (IMF), and the Asian Development Bank, as well as adopting an open approach to the US-led TPP. The US should not oppose China’s newly created AIIB, ‘One Belt, One Road,’ and other regional economic initiatives. The US also should not obstruct other countries from joining these initiatives, and should actively promote reform of the World Bank and IMF, while giving up the monopoly on senior positions at these organisations by developed nations and correcting the under-representation by developing nations.

The stalled Doha Round negotiations of the WTO have led to a proliferation of bilateral free trade agreements, and these agreements will promote regional and global trade negotiations in the long term. Bilateral and subregional free trade agreements do not fundamentally contradict the liberalisation of global trade and economic integration; to some extent, they may have a mutually-reinforcing effect.

Although growing trade and investment relations may not completely eliminate bilateral and regional conflicts, over the long run they will undoubtedly contribute to mutual trust and conflict reduction. Compared to trade and economic co-operation in Europe and North America, economic integration in the Asia-Pacific region still has much room for development; from the economic growth of developing countries in the region, to the promotion of regional integration, to the maintenance of a stable political and security environment, the further elimination of trade and investment barriers, the strengthening infrastructure and interconnecting policies between nations, and the upgrading of bilateral economic and trade relations. All of these initiatives will help promote the Asia-Pacific Free Trade Zone and the overall regional economic integration process.

Energy

Australian Perspectives

Rapid development in Asia and elsewhere has increased competition for energy resources, and could certainly spark conflicts in the future as states scramble to ensure access to remaining reserves. The Asia Pacific region is particularly vulnerable to this com-
petition. Technological revolution in energy is also changing the geopolitical landscape. The shale gas revolution in the US may make that country a gas exporter by 2030, allowing it to support alliance relationships through preferential energy access. This change is also helping US disengagement from the Middle East, which supports the rebalance to Asia.

China may also find US gas imports preferable to Australian coal. China is altering its energy mix in the pursuit of anti-pollution policies in its choking cities, preferring gas as a cleaner fuel, as well as investing in green technologies and renewables. This is a serious challenge for Australia’s economic model.

The US rebalance is coinciding with the emerging offshore energy security quests of a number of Asian-Pacific states. Deep-sea exploration of hydrocarbon reserves poses numerous avenues for both collaborative and competitive ventures in the region. Deep-sea drilling is one factor supporting maritime disputes especially in the South China Sea — China’s Paracel Island oil rig was emblematic of this. Such territorial disputes are forewarnings of those that may erupt over continued offshore energy exploration in the region by those states that are technologically equipped to do so. US military presence in the region serves to heighten suspicions.

Australia’s continental isolation, sheer size and economic reliance upon imported energy in certain sectors such as transport will compromise future domestic energy security. The existing approach to energy security centres on the ‘dig it up’ and sell it mentality. Australia requires a robust strategy to combat long-term domestic energy insecurity.

Chinese Perspectives

Although the structure of global energy supply and demand is undergoing major changes, the overall supply of energy is relatively abundant, and in the medium term, there is no real risk of shortages in global energy supply. As the global energy market undergoes optimal adjustments, producer and consumer nations have deepened their mutual interdependence. The current resource ‘competition’ between countries has more to do with investments, trade, and geopolitical competition for markets and profits, rather than actual resources. Although this type of competition may inevitably give rise to geopolitical competition between countries, their eruption into actual armed conflict in the scramble for resources is unlikely. The international community must work together to ensure the stability of world markets, reduce barriers to investment, and strengthen technical and trade cooperation in shale gas, renewable energy, and non-traditional energy resources. The shale gas revolution has significantly reduced US dependence on foreign energy imports and has benefited the US’ economy and foreign policy, but it does not signal the end of US energy trade with the Middle East.

Chinese imports of American natural gas depend on the future prospects and economic viability of US shale gas. Many countries, including Australia, are also seeking to develop liquefied natural gas (LNG), which China will import depending on market and price considerations. China is undoubtedly cleaning up its energy mix, with an inevitable focus on the development of natural gas. This has both environmental and economic considerations, and is in line with the global trend in energy mix. On one hand, China’s increased natural gas imports do not necessarily reduce Australian coal imports, as coal will still account for a large proportion of China’s energy mix for quite some time. As long as Australia has enough coal supply to compete in terms of quality and price, the Sino-Australian coal trade will not be affected very much. On the other hand, China’s changing energy mix brings great opportunities to Australia’s LNG development. Although Australia is not rich in conventional natural gas, there is a large amount of coalbed methane, which can be converted into LNG. Due to geographical factors, Australian LNG will have a
greater competitive edge in the Chinese market. Thus, a substantial increase in Chinese demand for natural gas will vigorously promote co-operation in the LNG sector in Australia, prompting the further deepening of bilateral economic and trade relations.

There is some connection between rising energy demand in the Asia-Pacific and maritime disputes in the region, but these disputes will not necessarily intensify as a result. First, the energy demands of each country can be met through trade, while deep-sea exploration and drilling is more attributable to corporate behavior. Second, as the nature of the maritime disputes have more to do with territorial sovereignty, deep-sea drilling does not necessarily lead to the outbreak of maritime conflict, in fact, it can lead to opportunities for co-operation among countries.

Australia is a country rich in coal and natural gas resources, while still needing oil imports. In a more optimal and interdependent global oil market, Australia would not face the traditional energy supply security issues. Current Australian policy in the energy sector is to utilize the country’s comparative advantages by participating in global coal and natural gas trade, which will greatly promote Australia’s economic development. In the short term, the reduction in Chinese demand for Australian will affect the current Australian economy to some extent, but in the long term, increased co-operation in energy trade and investment between China and Australia is not only conducive to mutual economic development, it will deepen the bilateral relationship while promoting stability in the region.

Climate and the Environment

Australian Perspectives

Global momentum is building on action on climate change, bolstered by the November 2014 agreement between the US and China. The most common types of action include carbon pricing, reducing pollution from coal-fired power plants, and investing in renewable energy.

Martin Rice of Australia’s Climate Council reports that the number of countries and sub-national jurisdictions putting a price on carbon continues is increasing: thirty-nine countries are putting a price on carbon — up from thirty-five in 2013. A further twenty-six countries are currently considering introducing carbon pricing. In early 2014, 144 countries had renewable energy targets and 138 had renewable energy support policies in place (up from 138 and 127, respectively, in the previous year).

Australia, the first country to drop the carbon price, is now lagging behind its major allies and trading partners. Recent uncertainty over the Renewable Energy Target has resulted in a seventy percent drop in investment in renewable energy in 2014 compared with 2013. And any emission reductions achieved over the past few years in Australia’s electricity sector have effectively been cancelled out since the abolition of the carbon price.

Since the carbon price repeal, National Electricity Market emissions were up 4 million tonnes on the equivalent period in the previous financial year. This increase in emissions corresponds with a growth in the share of coal in electricity generation, up from 69.6 percent in July 2014 to 76.4 percent in October 2014, while output from hydro power has dropped.

Climate change poses significant security risks and challenges to the Indo-Pacific region, including: decreasing energy access, decreasing access to food, increased frequency and intensity of meteorological disasters, population displacement, increased public health problems, and water stress. Addressing the issues requires improved policy, regional and international co-operation, research and technology and
mobilisation of resources. Some of the security risks may increase gradually, but others may be immediate and catastrophic.

The Council for Security Co-operation in the Asia Pacific (CSCAP) identifies the primary drivers of climate security risks in the region as changes in mean temperature and precipitation, increasing climate variability, and sea-level rise and coastal change. In addition to the major risks identified above, climate change is likely to lead to an increase in disputes over regional fisheries, land and maritime boundaries, and increased human trafficking.

Governments around Asia need to take more substantive policy action to reduce future climate change. Australia has been one of the worst offenders as noted above with Prime Minister Abbott expressing scepticism that climate change is caused by people. China should be a leader in addressing climate issues, as the world’s biggest emitter of greenhouse gases and with a large population of climate scientists engaged in cutting edge research. The agreement with the US on jointly announced targets was an important step and an important message to other middle-income countries not to fear binding targets. It also set the bar higher for developed countries: Australia’s commitment is to cut emissions by five percent (from 1990) levels by 2020, but by up to twenty-five percent by 2025 depending on the commitments of other countries.

Chinese Perspectives
Climate change is one of the most pressing issues facing the world today, requiring a collective global effort to mitigate its potentially disastrous effects. Risks and challenges brought forth by climate change will be more than any country in the region can deal with, and while these risks require our attention, they should not be exaggerated. Solving these issues will require international co-operation, such as strategic dialogues, climate negotiations, technical co-operation, crisis response, and also requires the proactive effort by countries to develop substantive policies at the national level.

The China-US Climate Agreement has shown the willingness on the part of the Chinese government to take a more proactive stance on climate change. Measures taken by China at the national level show great progress, such as limiting total energy consumption, actively developing clean energy alternatives, reducing vehicle congestion through license plate limitations, and implementing license plate lotteries, some of which would be inconceivable in many other countries. Although China has a long way to go in terms of saving energy and reducing emissions, it has now put environmental and climate change issues onto the national agenda, according these issues an unprecedented degree of attention and investment, while demanding significant sacrifices from the Chinese public. In terms of energy conservation, China has been at the forefront of developing nations, and has developed its clean energy industry faster than many developed countries. In the international arena of climate change negotiations, China has gradually become more active and taken more initiative.

Water
Australian Perspectives
Rapid economic and population growth in Asia has put huge pressure on water resources, with a policy response lagging behind. In China pollution has rendered the water so unsafe that less than half of the water can be treated to the point where it would be safe to drink, and a quarter of surface waters are unusable even for industrial needs. In India and Vietnam, three-quarters of all diseases are caused by contaminated water. The World Bank reports that in Indonesia, untreated sewage results in six million tonnes of human faeces being released into inland water bodies every year, contributing to the serious environmental problems of pollution, eutrophication, and disease transmission.
water pollution that means half the population has no access to clean water. These problems affect the poor disproportionately, fuelling inequality. While these countries have responded with a policy regime, they have not done nearly enough to address the gravity of the situation.

In addition to the health and development challenges, dispute over this scarce and essential resource has sparked conflict through history. The Pacific Institute chronicles 5,000 years of domestic and trans-national water-focused conflicts on its website. Particular flashpoints in Asia include India/Bangladesh and India/China. The Mumbai-based Strategic Foresight Group has calculated that the Himalayan river basins in Bangladesh, China, India, and Nepal shelter 1.3 billion people. In the next two decades, annual per-capita water availability in these basins will decline by thirteen to thirty-five percent. The Himalayan rivers will also be affected negatively by glacier melt in the region.

In late 2014 China’s first dam on the middle reaches of the Brahmaputra went into operation, sparking major concern in India. China has reassured the Indians that the dam will not affect water flow, and is solely intended to provide hydroelectric power in Tibet, but Indian policymakers fear that the dam will both give China prior use rights over the river, and allow them to divert water from Indian populations. In recent years, Chinese dams have also been responsible for flooding in India, due to their unpredictable effect on water flow. This is in addition to the ‘Great Western Line’ project announced by the Yellow River Conservancy Commission of the Ministry of Water Resources of China, to divert enough water from the upper reaches of the Brahmaputra into Northern China to make the Yellow River a viable waterway for marine shipping. India lags far behind China in exploitation of such resources, and this seems likely to be at least as great a source of tension in the future as territorial disputes.

Chinese Perspectives

Alongside economic growth and increasing consumption, water issues have become increasingly prominent issue for Asia-Pacific nations. At the essence is a development problem, the uneven distribution of water resources among various countries, as well as the poor use and mismanagement of water resources. This problem must be solved by individual countries during their development trajectory, through prioritisation of water resource management, efficient utilisation of water resources, and water pollution control.

At the regional level, water resources could become a flashpoint for regional disputes, especially in the use of water resources flowing from trans-boundary rivers. Along with economic interdependence and regional integration, countries will find more opportunities for co-operation to resolve water resource disputes rather than having them lead to competition and conflict.

The Mekong River, as well as many other cross-boundary rivers that China shares with Southeast Asia nations, originates in China, and is currently the source of various disputes regarding the use and development of water resources. The Upper Mekong in China is known as the Lancang River, and as it flows out of China through Laos, Thailand, Cambodia, Vietnam, and Myanmar, it is named the Mekong River. China’s upstream position on the Mekong River, means that downstream countries naturally consider themselves disadvantaged, believing that China’s excessive use of water resources and hydropower development affects downstream water distribution, fish production, agricultural production, and ecological environment. Consequently, downstream countries are especially sensitive towards Chinese use of the Mekong River, and have established the Mekong River Commission with the support of the US, Australia, and UK. The Mekong River Commission is focused on the environmentally sustainable development of the river’s water resources. China has maintained close communication with the five downstream nations by becoming an observer state in the Mekong River Commission.
River Commission. Co-operation between China and the downstream nations through the Greater Mekong Subregion (GMS) and China-ASEAN mechanism has resulted in the joint resolution of key issues and conflicts in cross-boundary water resources development. In recent years Chinese authorities and enterprises have taken into account the needs of downstream nations in the development and utilisation of water resources on the Mekong River, pledging to reduce upstream water usage while sharing data on cross-border water resources, environment, and ecosystem with Southeast Asian countries.

With regards to water disputes between China and India, the latter has gained the initiative by rallying the support of the international community. Diverting the Brahmaputra River upstream to the Yellow River is an idea proposed cautiously by the Chinese government, as the current South to North water diversion project does not involve the Brahmaputra. China and India can try to promote further dialogue and cooperation on water resources, such as hydropower development, replicating the collaborative experience between China and ASEAN countries on joint development of water resources to resolve disputes.

**Joint Policy Recommendations**

Given the complex Asia-Pacific security environment, China and Australia have more common interests than differences. Australia’s future lies with the Asia-Pacific region and co-operation with China, while China’s development is dependent on a stable regional environment brought about by mutual trust and co-operation with Australia and other countries. It would be beneficial to both sides to achieve improved political relations. The two sides should seek to achieve the following:

**Sustained political contact at the highest level.** This should include more frequent bilateral visits by senior leaders, complemented by opportunities for discussions of pertinent political issues throughout the year, either in the margins of multilateral meetings, or by telephone.

**Recognition of the importance of China expertise in Australia and vice versa,** not only amongst specialists in universities and think tanks, but also in politics, business and education. Attribution of funding to recognising, supporting and enhancing such expertise, including through study tours and internships in each others’ countries.

**Think tanks in both countries should carry out joint research and exchange.** China-Australia-US should continue trilateral dialogue starting at the think tank level, on issues such as Asia-Pacific economic restructuring as well as regional security challenges and co-operation.

On maritime security, we propose that the two sides:

- Strengthen bilateral naval dialogue and exchanges, while enhancing mutual trust and maritime security.
- Establish a naval defence dialogue in the annual security consultation between the two countries, focusing on the exchange of their respective naval development plans and discussing maritime security co-operation, such as promoting the expansion of bilateral and multilateral Indian Ocean maritime information exchange and ‘joint naval convoys’, including with India.
- Promote high-level naval exchanges involving personnel and ships, and keep each other informed of naval operations and exercises.
- Co-operate in the fight against piracy, maritime rescue and other non-traditional security joint naval exercises.
- Jointly promote the establishment of a regional maritime security dialogue and co-operation mechanism, including Sea lane security, counter-terrorism, non-proliferation, and disaster relief.
- Work with third countries and existing regional mechanisms to pursue joint exercises, joint patrols, and other joint naval activities. From a longer-term perspective, Indian Ocean security has become increasingly important for both China and Australia.
- Deepen co-operation on maritime trade and technology, including integrated coastal management, marine infrastructure, marine research, marine environmental protection, fisheries, and seabed mineral exploration.

In the area of regional security architecture, the two sides should:

- Work together with other countries in the region to improve the security architecture.
- Strengthen the capabilities of the existing archi-
In counter-terrorism, the two sides should:
• Conduct an annual dialogue on counter-terrorism at ministerial level.
• Find new ways of working together with countries in the region to limit cross-border movement of terrorists.
• Work with Southeast Asian nations, including through existing regional security architecture, to combat smuggling, illegal immigration, drug trafficking, piracy and other transnational organised crime, thus denying funding to international terrorist forces in the region.
• Share information between respective intelligence agencies to combat terrorist financing and promote aviation security.

On cybersecurity, the two sides should:
• Enhance the existing cyber dialogue by ensuring all relevant agencies from both sides are present at an appropriately senior level. Use the dialogue to improve bilateral coordination and consultation mechanisms in order to co-operate on ICT infrastructure security, cyberattack response, and fight against cybercrime.
• jointly build up regional cybersecurity awareness.

On climate change, the two sides should:
• strengthen dialogue and communication on the basis of international climate change negotiations.
• Identify new projects in energy conservation, emissions reductions, technology exchange, the carbon market, new energy vehicles, and clean energy development
• seek out new modes of mutually beneficial collaboration

Notes
2 The ‘One Belt, One Road’ proposal is an abbreviation of the ‘Silk Road Economic Belt’ and ‘Twenty-First Century Maritime Silk Road’ proposals, the grand initiatives respectively put forward by General Secretary Xi Jinping in September and October of 2013, when he was visiting Central and South East Asian countries, to promote regional common development and win-win cooperation. ‘One Belt, One Road’ is principally to promote China’s hardware connection (physical connection), software connection (joining up policy and planning) and movement of people, with a vast area, particularly the neighbourhood, with the core guiding principle being ‘mutual consultation, mutual construction and mutual share’. The key point for its success lies in ‘seamlessly joining up’ China’s development plans with those of the other countries involved. According to this important proposal, Australia, as a country of the South Pacific, is also an indispensable extension of the ‘maritime silk road’.
3 Sanjeev Miglani, ‘India raises military spending, eases foreign investment limit in arms industry’, Reuters, 10 July 2014
5 Nitin Gokhale, ‘India’s Rising Regional Military Engagement’, The Diplomat, 10 February 2014
7 According to the Chinese side, the disputed area between India and China is 125,000 square kilometres altogether (the Eastern disputed region is approximately 90,000 square kilometres, the Central section is 2000 square kilometres, and the Western section is 33,000 square kilometres). Included in this, the two sides already in 2000 exchanged maps of the line of control for the Central section (under Indian control), over which the dispute is the least serious. The Eastern area is under Indian control. The Chinese side considers this ‘the most serious disputed area’ for bilateral border relations. The Western disputed area is essentially controlled by China, but there are still a good deal of ‘grey areas’ at the edges of the zone (that neither party has yet been able to control effectively, and which has seen the greatest concentration of outbreaks of ‘incidents’ between the border forces of both sides). India considers this area to be the ‘most significant disputed area’ in the border dispute between the two sides. Moreover, since the turn of the century, India also considers the Sino-Pakistani border at the Western end of the Karakoram mountains to be the ‘far Western section’ of the Sino-Indian border dispute. In fact, this denies the border of China and Pakistan, and draws the Sino-Indian border ques-
tion into the dispute between India and Pakistan over Kashmir, making it more complicated to resolve. In fact, the 1963 ‘border agreement’ between China and Pakistan was temporary and had a provision stipulating that China and Pakistan would revise the ‘border agreement’ when India and Pakistan resolved the dispute over Kashmir. Because of the huge divergence in views between the two sides, we can predict that the Sino-Indian border question will be difficult to resolve. Despite this, leaders from the two sides have already reached some important common understandings, such as guaranteeing that the border question will not impact general situation of relations between the two countries. The two sides have increased efforts to control the border crisis and are not looking to use military force to find a solution. This is one of the major regions why there has not been any minor incident sparking a war over the last half century. Moreover, there is no doubt that, if the border dispute between China and India is not settled one day, it will be the most significant factor obstructing strategic mutual trust.

12 Phillip Andrews-Speed and Roland Dannreuther, China, Oil and Global Politics, London: Routledge, 2011
17 Hugh White, ‘The West No Longer Rules the Waves in Asia’, The Sydney Morning Herald, 18 February 2014
18 Anit Mukherjee, ‘ADMM+: Talk Shop or Key to Asia Pacific Security?’, The Diplomat, 22 August 2013

26 Scott Moore, Brookings, 2013: http://www.brookings.edu/research/papers/2013/02/water-politics-china-moore
27 http://worldwater.org/water-conflict/

About the Authors

The Australian Centre on China in the World is a research institution established to enhance the existing capabilities of The Australian National University (ANU). It aims to be an integrated, world-leading institution for Chinese Studies and the understanding of China, or what has been called ‘Greater China’ or the ‘Chinese Commonwealth’ (the People’s Republic of China, the Hong Kong and Macau Special Administrative Regions, as well as Taiwan and the Chinese diaspora), on a global scale.

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