

China's maritime power trip

ALAN DUPONT

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In early January, Australian intelligence analysts watched with increasing concern as three Chinese warships passed through Indonesia's Sunda Strait on a southerly course towards Australia in a powerful demonstration of China's growing strategic reach.

An AP-3C Orion maritime surveillance aircraft was quickly sent to photograph and shadow the Chinese ships, which then turned east, sailing along Java's southern coast before transiting the Lombok Strait adjacent to Bali and returning to China.

The message from Beijing to Australia and the region was unmistakable: China is on the verge of becoming a maritime power and it will send its ships wherever it pleases.

But the deeper, more unsettling subtext to this message illuminates this era's most important foreign policy question.

Will a rising China be a revisionist power or a responsible stakeholder in the existing international system? Judging by its -increasingly assertive behaviour, we now have an answer.

It is abundantly clear that China is intent on challenging the status quo in Asia through the -coercive use of its formidable economic and military power.

Nowhere is this more evident than in the western Pacific, where China is pursuing a high-stakes maritime strategy aimed at dominating the seas that bear its name and maximising its territorial and resource claims.

The dangerous escalation in tensions with Vietnam triggered by Beijing's decision to begin drilling for oil only 120 nautical miles from Vietnam's coastline, and well within its exclusive economic zone, is merely the latest example of China's increasingly muscular unilateralism.

When the offending HD 981 oil rig was moved into position off Vietnam's coast earlier this month, it was flanked by a supporting fleet of up to 80 Chinese paramilitary and naval ships.

This was clearly a premeditated strategic decision approved at the highest levels of government.

The same disturbing pattern of coercive and unilateral decision-making is evident in many of China's other maritime disputes with its neighbours.

Since 2010, there has been a worrying escalation in the number and seriousness of confrontations in both the East and South China seas involving the Chinese fishing fleet, the largest in the world, and ships from China's maritime law-enforcement and fishing surveillance fleets, many of which are armed.

In tactics best described as "fish, protect, contest and occupy", Chinese fishing vessels appear to have been given a government green light to fish with impunity in contested maritime areas. If other claimant states diplomatically protest or physically challenge their presence, Chinese paramilitary ships are quickly on the scene to "protect" their fishers, after which the island or reef is occupied and frequently garrisoned.

This creeping annexation of contested islands and reef has been pursued in the face of protests from not just Vietnam but an increasing number of other Asian countries.

The Philippines is locked in a tense confrontation with China over disputed islands in the Spratly Islands and the Scarborough/Half Moon Shoals on the eastern side of the South China Sea.

Jakarta has recently toughened its rhetoric in response to repeated incursions by the Chinese fishing fleet into the EEZ of the Indonesian owned Natuna Islands at the southern edge of the South China Sea, more than 2000km from China.

In the East China Sea, Japan, South Korea and even fraternal North Korea have all been involved in confrontations with Chinese fishing and paramilitary vessels. These range from low-level harassment to more serious incidents that include the ramming and sinking of ships, shootings and pitched battles between Chinese fishers and regional constabulary forces.

Beijing seems to believe that with the US distracted and preoccupied by domestic and other foreign policy challenges, a geopolitical full court press of its smaller and weaker neighbours will deliver the resources, territory and regional pre-eminence that are its rightful patrimony.

If so, this is a serious miscalculation that serves no one's interests, least of all China's, serving as it does to heighten fears about China's long-term intentions in Asia, stimulating reciprocal responses, militarising resource disputes and worsening existing interstate rivalries.

Beijing faces increasing regional isolation as other states line up to hedge against a China whose rise is beginning to look more threatening than benign.

Five of 10 Southeast Asian states — Vietnam, The Philippines, Indonesia, Malaysia and Brunei — have serious or potentially serious maritime disputes with China, along with Japan and the two Koreas. If Taiwan is included, this adds up to more than half the polities in East Asia.

China's worst nightmare is a more assertive, independently minded, rearmed Japan. But each outbreak of hostilities over the contested Senkaku/Diaoyu Islands in the East China Sea makes this outcome more likely, with Tokyo moving to reverse nearly 70 years of pacifism by allowing the Self-Defense Forces to be deployed for combat outside Japan.

Perversely, China's patent unwillingness to accommodate other countries' equally strong claims to the maritime features and resources that China covets has provided the opportunity for the US to reinvigorate its alliance system in East Asia and more effectively balance against China.

All this raises the question of why Beijing would engage in such an obviously counterproductive strategy if the consequences are likely to prove inimical to China's carefully cultivated international image and long-term relations with neighbouring states.

There are several linked explanations. Like all rising powers, China wants to change the regional order to advance its strategic ambitions, which cannot be met while the old, US-led order prevails.

Beijing's long-term aim seems to be what might be called a Monroe Doctrine with Chinese characteristics.

From a Chinese perspective this makes perfect strategic sense. If a rising America could construct a Monroe Doctrine in the 19th century as a blunt but effective instrument for keeping other powers out of the eastern Pacific, why should an ascendant, 21st-century China not seek a comparable outcome in the western Pacific?

This, of course, represents a direct challenge to US pre-eminence in Asia and, more particularly, the US Navy's dominance of the western Pacific, where the 7th Fleet has ruled the waves since the destruction of the Japanese navy in World War II.

Such challenges are representative of the structural problem in international relations — what the eminent American strategist Graham Allison calls the "Thucydides trap".

Writing about the Peloponnesian wars in the 5th century BC, the Greek historian Thucydides observed that the previously dominant Spartans felt threatened by Athens's remarkable rise, leading to a 30-year conflict in which both states were virtually destroyed.

Could this happen in East Asia? Sceptics argue that such historical allusions are far-fetched, pointing

out that the increasing trade interdependence between China, the US and the wider region mitigates the risk of conflict because it raises the cost of war to all sides. True, but it should not be forgotten that Britain and Germany's extensive trade ties in the early 20th century did not prevent them going to war in 1914. And a recent study by Georgetown University's Oriana Mastro suggests that East Asian countries, including China, may be prepared to accept significant economic losses to protect their sovereignty.

So it would be wrong to conclude that deepening levels of trade interdependence are a guarantee of peace.

Moreover, the historical record is hardly reassuring. During the past 500 years, six of the seven hegemonic challenges to the existing order have led to war or serious conflict: Spain against Holland (16th century); Holland against England (17th century); England against France (18th and 19th centuries); France and Britain against Germany (20th century); Germany against Russia/the Soviet Union (1914-18 and 1941-45); the US against the Soviet Union (1945-89).

Resource insecurity is another important driver of China's muscular unilateralism. By 2030, up to 80 per cent of China's oil and 50 per cent of its gas will be imported by sea, through the Malacca Strait, a classical maritime choke point due to the narrowness and shallowness of its approaches, the number of ships that pass through it daily and the strait's vulnerability to interdiction or environmental blockage.

The rate of growth in China's energy imports has few, if any, historical parallels. In a little more than two decades the country has moved from a net exporter to importing more than 55 per cent of its oil. Even China's enormous reserves of coal are insufficient to meet domestic demand.

In a little noticed development, China became a net importer of coal in 2007 and overtook Japan as the world's biggest importer of coal at the end of 2011. A substantial proportion of its future coal imports will transit the South China Sea from mines in Australia and Indonesia.

The rich fishing grounds of the western Pacific are also a vital source of fish for the Chinese economy, making them as critical to China's future food security as oil, gas and coal are to its energy future.

China is the world's largest fish producer as well as consumer, with the fishing sector contributing \$330 billion annually to the economy, about 3.5 per cent of gross domestic product. With wild fish in decline and demand rising, fish have become a strategic commodity, to be protected and defended — if necessary, by force.

This resource vulnerability weighs heavily on the minds of Chinese leaders who, in addition to worrying about terrorism, piracy and environmental disruptions to their energy supplies, are acutely

aware that their main competitor, the US, exercises effective control over the Malacca Strait and most of the western -Pacific, courtesy of the US Navy.

Invoking the so-called Malacca dilemma, former president Hu Jintao gave voice to these anxieties in 2005, and a succession of senior Chinese officials have since made it clear that their nation is no longer prepared to outsource the security of its Pacific trade route to the US 7th Fleet.

China's strategy is also hostage to the still acutely felt resentment over past injustices suffered at the hands of foreigners when the country was weak.

At one level, this is understandable given the ruthless exploitation of China's resources by a succession of would-be colonial masters during the long decline of the Qing dynasty in the 19th century, followed by Japan's brutal -occupation of Manchuria in the late 1930s.

But victimhood is a poor basis for strategic policy. China's barely concealed revanchism will do little to convince an increasingly sceptical region that a Pax Sinica would be demonstrably fairer and more stable and peaceful than Pax Americana.

As the Abbott government's defence white paper team weighs the implications of these developments, what conclusions might it draw? The first is that China's re-emergence as a great power is likely to be far less benign than optimists had hoped.

After 35 years of relative peace, strategic volatility is destined to supplant stability as the defining characteristic of Asia's future geopolitical landscape.

Second, China's challenge to US maritime power in East Asia strikes at a deeply held American conviction that continued naval dominance of the Pacific underpins vital national security interests and the country's standing as the pre-eminent global power, all but guaranteeing there will be a -robust response.

Third, Australia cannot be a disinterested observer in any -future conflict in the western -Pacific because virtually all our core defence and economic interests are engaged.

Hence the prospect of heightened strategic competition in this maritime domain will clearly shape future strategy.

Fourth, for the first time in its modern history Australia is no longer at the periphery of world affairs, as economic and military power shifts inexorably from the Atlantic to Australia's Pacific back yard. As one influential US think tank observes, Australia has moved from "down under" to "top centre" strategically because of our proximity to the maritime trade routes of the Indian and -Pacific oceans.

The key question for the defence white paper is whether these developments warrant a change in strategy or the size and composition of the Australian Defence Force.

There are many voices arguing for a shift in strategy. Academic Hugh White advocates accommodation of China's regional ambitions; former prime minister Malcolm Fraser wants Australia to be more independent and less subservient to the US; others contend that we should ally ourselves more closely with the US as a hedge against a new Chinese hegemony in Asia.

Given China's more assertive recent behaviour, it is difficult to see what a policy of accommodation would achieve other than to further embolden Beijing, which would consequently have even less incentive for acknowledging the territorial claims and interests of its neighbours.

The idea of greater independence seems appealing, especially to those who chafe at Australia's alliance with the US. However, true independence, in the sense of a non-aligned foreign policy, would be costly financially and risky strategically.

Regular reviews of the benefits that the US alliance brings continue to find that Australia gains more from the alliance than it pays, and polls consistently record high levels of support for ANZUS.

However, there is no doubt that the alliance needs a makeover and an injection of new thinking, given the considerably altered security environment.

Enhanced defence co-operation with the US is a sensible, cost-effective way of building the ADF's capabilities.

But care should be taken to avoid portraying ANZUS as an anti-China alliance or feeding the misperception that Australia is merely a proxy for the US.

There is also enormous, unrealised potential within the alliance framework for Australia to work more closely with Asian friends and partners, particularly Indonesia and Japan, to advance our common security interests.

Operationally, it will be important to resist the temptation to build a defence force to counter China's newly acquired military clout. This is well beyond Australia's modest defence capabilities and would needlessly jeopardise the stable, long-term relationship with China in which all Australian governments have invested heavily over the past three decades.

Such a policy would require a substantial increase in defence spending that would be costly, difficult to sell politically and liable to seriously distort the structure of the ADF, bearing in mind the many other

defence tasks requiring funding and resources.

Smart power, leveraging off effective, well-funded defence diplomacy, is far more likely to yield results than a strategy based primarily, or exclusively, on hard power.

The challenge for Australia is to help persuade Beijing that muscular unilateralism is contrary to China's own interests as well as the region's, while understanding the limits of Australia's capacity, as a middle power, to decisively influence military outcomes should there be a serious conflict in the western Pacific.

Our return message to China ought to be that a responsible stakeholder would immediately take steps to reduce maritime conflict by looking for real win-win -solutions.

These should include the speedy conclusion of a code of conduct on the South China Sea and the negotiation of a western Pacific fisheries management scheme that would complement the parallel development of oil, gas and other mineral resources.

Such an approach would increase trust between China and its neighbours, reduce regional tensions and signal that China is prepared to assume the constructive leadership role in Asia that would make it a truly great power.

Alan Dupont is professor of international security at the University of NSW and a non-resident fellow at the Lowy Institute.