Good evening.

For this talk tonight, I thought it might be interesting to research from publicly available sources what Australia's response so far is to the confrontation over the disputed islands in the East China Sea between China and Japan and China and the United States.

And then to look at what the government and others are saying here about the implications for us of that confrontation.

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As you will recognise, I am particularly grateful for the quality of discussion on web sites like the East Asia Forum of the Crawford School at ANU, on The Lowy Institute's Lowy Interpreter, on the papers from the Center for Strategic and International Studies think tank in the US and the papers from scholars associated with the US military's various colleges, the quality of this last a revelation to me.

I have also turned to the Financial Review's reporting team in China, to the commentary of Greg Earl of the AFR and Rowan Callick of The Australian, and the exceptional reporting of John Garnaut.

Any errors of fact or interpretation are mine of course, but I stress this is no insider account.
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The invitation to give this talk came from Colin Chapman after an article of mine was published in The Australian**.**

I have done additional research since but the broad arguments of the article largely remain.

They are that:

The military reach of the United States is declining in North Asia

and the United States now acknowledges its vulnerability to Chinese

power in the Western Pacific in the years ahead.

That America's political commitment to its security partners is being questioned in Japan and South Korea.

That this also troubles thoughtful American and European diplomats and analysts.

That Japan is deliberately testing the strength of the American military commitment in its contest with China in the East China Sea

– and the Chinese are also testing the US commitment.

That Australia is linking our security relationship with the US to the US-Japan security relationship.

And that could see us joining the US and Japan in confrontation with China in the East China Sea.

This accumulation of dramatic change is throwing up complex new foreign policy challenges for Australia -

And they are receiving scant public acknowledgement and - one fears – receiving scant serious attention in political government in Canberra

There is no **public sign** that the National Security departments are challenging their ministers –or themselves-
with sceptical analysis of the policies of Australia, the US, Japan and China, **with the possibility of potential US decline in mind.**

It may even be de facto policy to **avoid** the issue in public and perhaps among ministers, except at its very simplest.

Personally, I wonder whether the "glamour" of the "5-Eyes" and the other intelligence agencies which have received vastly increased expenditures has justified and rationalised the big cuts in the analytical, policy development and reporting resources of DFAT.

The bottom line, it seems to me, is that our public life is uninformed- and therefore unready- to deal with the complexities of the changing power equation in North Asia or to deal with the implications of our alliance policies.

And therefore we will be vulnerable to sharp policy shocks from China, the US and Japan.

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There are credible sources for these conclusions:

US analysts like Christopher Hill and Kurt Campbell, both former deputy secretaries of State for East Asia have expressed concern at this loss of US influence and policy coherence.

Christopher Hill, a career diplomat, who was promoted under Republican and Democratic administrations, wrote in an article in the Bangkok Post and elsewhere in late October:

Since Obama's re-election, there appears to have been a pivot away from the pivot … reliability and predictability have given way to rapid shifts in focus and fickle commitments.[i]

In Japan and South Korea, the press in the last quarter of last year reflected official doubts at the strength and longevity of the US commitment to their defence.

One result of this, as Professor Rikki Kersten, **of** the ANU, noted in November was for
Japan, South Korea and China to: *" probe and test the resilience of the US alliance system. The East China Sea tensions loom as a test case not only for Sino-Japanese relations but the evolving US alliance system in its entirety."*[ii]

Elsewhere she raised the possibility and intent of
*Japanese entrapment of its allies***.**[iii]

Gideon Rachman in the Financial Times in mid January quoted French Foreign Minister Laurent Fabius, as saying:America's allies are facing
the possibility that they will be left to their own devices in managing crises".

Rachman reported a Pew Research Centre report that 52 per cent of a poll sample of Americans agreed that
"the US should mind its own business internationally and let other countries get along the best way they can."

That's the highest percentage in 50 years for that sentiment.

Pew polled members of the Council on Foreign Relations and found their views roughly in line with those of the general public.[iv]

The joint chiefs of staff at the Pentagon have been extremely blunt about the decline in military reach.

They told a Congressional armed services committee hearing in October that the US is now a One Theatre military power.

(The thought bubble arises that Australia has form in making head-in-the-sand assumptions about an ally that has only one theatre reach and two theatre commitments**.**)

David Gompert, a senior fellow of the Rand Corporation and former Deputy Director of US National Intelligence told a Congressional inquiry in January that

the survivability of U.S. forces in the Western Pacific is already a problem. … given existing technologies, it is not feasible and affordable for the United States to reverse the trend of growing vulnerability."
"… China is already spending as much as the United States on military capabilities for East Asia. [v]

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So to the response of the Australian Government to these changes:

In December Mr. Abbott said :
"*we are a strong ally of Japan.*"[vi]

Not long after being elected Prime Minister, Mr. Abbott declared that Japan is
Australia's best friend in Asia.

And, he was reported at the time as observing
the time had come for Japan to be a "normal country" operating under the same rules that other nations operate.[vii]

Normal country has a specific meaning to Japan and the Japanese Prime Minister, Mr. Abe.

Confronted by a prospective nuclear power in North Korea and an unfriendly China, he wants a constitutional amendment to allow a *"normal"* defence force to emerge, armed with conventional offensive weapons**.**

Current Japanese public opinion denies Mr. Abe that amendment so his Government proposes to shortly reinterpret the constitution to allow Japan to participate in "collective security" operations- the real point of which appears to be combining Japanese forces with American forces in facing China.

Mr. Abe would now reasonably feel that Australia endorses this changed constitutional interpretation and an ultimate constitutional amendment.

I don't think we have ever offered that implied approval before.

Mr. Abe also wants to change the public perception of the war time leaders of Japan to something more like respected patriots, rather than authoritarian militarists and imperialists.

Mr. Abe has placed his December visit to the Yasukuni shrine in that

context- of honouring **all** casualties of war.

That Yasukuni visit brought a fierce response from China and South Korea, which would have been anticipated by Mr. Abe.

We don't know whether he anticipated the immediate statement from the United States embassy in Tokyo that
"The United States was disappointed ..at an action that will exacerbate tensions with Japan's neighbors." [viii]

Our Foreign Minister, Ms Julie Bishop, in Washington in early January, a month later, offered a much milder Australian rebuke.

The Yasukuni visit, she said,
brought to the fore the unresolved tensions between China, Japan and South Korea. Such events escalate the already tense regional environment.[ix]

Australia has encouraged Japan to join the Trans Pacific Partnership trade negotiations while supporting denial of Chinese early entry to the negotiations, now that it is showing some interest.

Professor Linda Jakobson of the US Studies Centre at Sydney University noted in a recent paper:

The public debate in Australia on Canberra's China policies and future geopolitical challenges has tended to revolve around how Australia should avoid having to choose between China and the United States. Now it would appear that Australia needs to avoid being seen as choosing Japan over China.[x]

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In response to these tensions with China, the three way strategic and military relationship between Australia, the US and Japan is changing significantly
- at least from what the public would understand of it.

Recent comments from Andrew Shearer, the Prime Minister's national security adviser underlined this.

Mr. Shearer at a January conference at the CSIS in Washington, said:
Australia will continue to build our strategic relationship with Japan.

The Australian alliance with America, he said
will become more regional.

Australia will become much more focused in maintenance of the regional order and the maritime balance in the Western Pacific as it comes under growing strain. [xi]
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In opposition Mr. Abbott said of America:
We are more than allies. We're family.[xii]

The Foreign Minister, Ms Bishop said in Washington in January that Australia had
an enduring security guarantee with the United States.[xiii]

That assumes the certainty of continuing American power and an unchanged commitment to us and the region.

Ms Bishop said while in Washington
In respect of who is our 'best friend' in economic terms, it is undeniably the United States. While China is of course our largest merchandise trading partner, I would just make that point, as I am here in Washington."[xiv]

A trade economist would argue that this is a flawed calculation —effectively adding history to current flows.[xv]

Perhaps it was calculated to downgrade in the public's eyes the much publicised economic relationship with China,
"The China BOOM"where the opportunities for growth are certainly much greater.

In November, Ms Bishop called in the Chinese ambassador to

protest China's imposition of an air defence zone over the disputed islands.

As far as I can ascertain, though there were understandable protests from most countries affected by the Chinese action, only Japan and Australia carpeted an ambassador.

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On this evidence our top level politicians and officials might be judged to support Japan in its argument with China –and with a shade more public fervour than the US.

Certainly I feel I found a new policy emphasis,

which:

restores- hard sells, really - the primacy of the relationship with America over all others,

declares there is an American security guarantee to us.

interprets our security relationship with the US as somehow providing a bridge or network to the US-Japan security arrangements

and their much more formal military guarantees to Japan.

while holding China at arms length, particularly in the TPP negotiations,

and while supporting Japan's continued hold on the disputed islands.

This public emphasis is noticeable for what's missing…

-meaningful proposals for **inclusion** of China

I could not find constructive emphasis on economic and diplomatic policies designed to weave China further in to the peaceful environment of global trade, investment and cultural flows and the

rules based regimes that entails.

Nor could I find any acknowledgement of the serious disadvantage to Australia if the American pivot to Asia fails to achieve deeper, cooperative engagement between the US and China.

We have a big investment in that.

It raises the question whether we are failing to do the necessary critical thinking about the possibilities of a decline in US power and influence in the region.

Or
and this is my **guess:**

we are provoked by these uncertainties about American commitment:

to get ostentatiously closer to the US, so as to be seen as an ally joining " a firm stand" against China.

so as to encourage the US to stay engaged in north Asia.

to that end to volunteer assistance there in "treaty networking" and ultimately military assets.

And to look for encouragement from like minds in Washington - among others, among the veterans of the Bush administration.

Researching this talk, I sometimes wondered: did I detect the shade of our commitment to Vietnam?

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So what are the questions our analysts in Canberra should be addressing?

On Japan

The Japanese dilemma was neatly summed up at a recent CSIS conference in Washington by Dr. Michael Green.

Dr Green is a former National Security Council official in the Bush administration.

He worked closely with his Australian counterparts, Michael Thawley and Andrew Shearer, in the Howard Government. He was a visiting fellow at the Lowy Institute last year.

On the confrontation between Japan and China, he said

"We in Washington have not settled on the strategy to handle this.

Some in the administration, he said:
want to contain Japan, keep Japan down because China's military rise and power is inevitable and Japan is unpredictable."[xvi]

Dr Green offered an alternative:
increasing
joint military operability of American allies with Japan.
That, he said,
would reassure Japan and gives the US more influence over decision making and escalation control… and …
add to the dissuasion and deterrence effect against China which is pushing the boundaries a bit… we should be networking across alliances.

So, to the questions our policy analysts should be considering:

Is Japan, and in particular the Abe Government, a reliable partner?

Does Mr. Abe's government have the skills and sophistication to succeed with its economic policies- critical to the survival of his government?

If he falls, will his plans to rearm Japan and rewrite the history of the

Japanese empire's excesses and his assertive approach to the island dispute, survive?

What will be the American public's response to an assertive, rearming Japan that might embroil the US in a conflict with China?

If Japan cannot acknowledge its past excesses,

and winds up proclaiming what Australians would consider a revisionist view of the Pacific war,

would the Australian electorate support Japanese rearmament and its claims in the East China Sea?

Joined in a networked alliance what exactly are our obligations now in the event of an armed clash between China and Japan,?

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Of course China raises some difficult questions too:

Andrew Nathan and Andrew Scobell in their stimulating book *China's Search For Security* [xvii] observe that China is not *"a satisfied power".*

Hugh White in an exchange with two American defence policy scholars acknowledged in September their point that *"China's conduct suggests that China does indeed, want some kind of '21st century neo-tributary system or version of an Asian Monroe Doctrine'.* [xviii]

In 2012 Nathan and Scobell foresaw a continuing decline in US power, but still thought that,
China's greater economic interest lay in regional stability and cooperative relations with its neighbours.

Broadly that seems to still be the case.

Despite the trade boycott of Japan,

triggered by Japan's "nationalisation" of the disputed islands, which did cut exports significantly in 2013,

Japanese exports of cars and other products are now recovering to close to earlier market shares.

Yet in January, Professor Yan Xuetong, a Chinese foreign policy scholar, often described as close to the Beijing leadership, said in an English language article quite clearly aimed at countries like Australia, Japan and the Philippines:

Under President Xi, China will decisively favor those who side with it - with economic benefits and even security protections.

…those who are hostile to China will face much more sustained policies of sanctions and isolation.[xix]

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As we know, China is conducting a major gear change in economic policy, just as difficult as Japan's.

George Soros in early January wrote:
A failed economic transition in China will most likely undermine trust in the country's political leadership, resulting in repression at home and military confrontation abroad.[xx]
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In response to China's gathering ability to destroy much of US sea and airpower well beyond Taiwan, the Pentagon is developing the Air-Sea Battle concept, the underlying logic of which is that it may only work if the US makes the first strike.

David Gompert, to whom I referred earlier, in his submission to a congressional committee, warned,

Air-Sea Battle implies a U.S. threat of early strikes on Chinese territory; it would be perceived as – indeed, would be – escalatory;
....

He said:

The growing emphasis in both Chinese and U.S. military strategies on early attacks could create conditions in which war becomes more likely.[xxi]

Within these two opposing strategies, of course, the US bases in central and western Australia become critical, though rarely remarked on.
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It would be expected that this trend towards brinkmanship would provoke thinking about its costs and the attractiveness of peaceful alternatives.

The ANU's Professor Peter Drysdale points out our future economic relationship with China, enormously important to our growth and stability,

is fundamentally dependant on whether China and the US can manage the transition in **their** political and economic relationship.[xxii]

However, I did not find any serious public discussion of the economic downsides for Australia arising froman economic stand off between China and the United States or from strategic confrontation in North Asia,

The questions that therefore arise:

Would the costs be so great for China as to discourage an intimadatory economic and strategic policy towards Australia?

How vulnerable, given our reliable and competitively priced resources, is the Australian economy to such a Chinese policy?

How can we contribute to the transition to a cooperative economic and political engagement between China and the US?

If we sought to improve the relationship by, for instance, advocating China and Indonesia be invited into the TPP

would the US and Japan regard that as unfriendly? And threaten reprisals?

As we move to a trilateral alliance with Japan and the US, does China see there an implied threat to her resources imports from Australia in a serious confrontation?

Do we- or our allies- want China to see that implication?

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Turning to the United States:

I have to say that in searching out from the public record, US policy thinking on how to handle the tensions in North Asia, one word consistently comes to mind:

uncertainty.

The Obama administration, understandably, is unwilling to concede traditional American primacy in North Asia , but is hard put to explain how that can be sustained for another 10 or 15 years.

Policy advocacy in the United States varies from outright hostility to China to a much more dovish approach that is unsympathetic to Mr Abe's revisionist language…

and there's a powerful sentiment to avoid new military conflict in the face of electorate weariness with foreign war…

China wants concessions which would erode American primacy but has not made explicit what they **are**.

Though judged on present Chinese rhetoric, the concessions China would seek would humiliate Japan.

In face of this, two reasonably firm arms of American policy were developed, it seems, to complement the "pivot":

The first was to:

make the TPP the economic tool that unites most of the Western and key Asian states in setting up a regime, to which China, eventually invited, will have to join

-and thus take a step forward in economic cooperation on American terms.

The TPP, I suspect, has been sold hard at home and abroad a sign up by Asian and Pacific friends to show they want the US to stay in Asia as a counter to China.

But that policy is being undermined by a Congressional coalition of right and left that opposes the TPP or any deepening of trade ties with China.

Secondly:
Militarily, the objective appears to be to get significantly increased defence expenditure in Japan, South Korea and Australia-and steer that spending to US weapons and technology concentrated under US command to manage any confrontation with China.

In other words make up for the Pentagon's spending cuts with allied spending.

All of which poses the questions:

Can a TPP or subsequent trade and investment regime that excludes China yield benefits to make up for Chinese exclusion.

If the TPP fails in Congress is there an alternative that can satisfy the Congress and China?

Is Australia considering how to build such an initiative?

Militarily, does an alliance of the US, Japan, South Korea and Australia

beefed up by additional allied expenditure,

offer a credible check to rising Chinese military power?

In talking about “security guarantees and alliances" shouldn’t we be considering the new histories of the origins of The Great War, which emphasise the unforeseen consequences of alliances, and the almost direct path to conflict that the security guarantees provided to the more belligerent?

Do the expenditures the US will seek from us, actually improve our defences, as distinct from making us a more valuable assistant in US war fighting in North Asia?

If the US seeks, as it probably will reading the think tanks,
a nuclear submarine base in Fremantle, will this be seen in Beijing as our joining the US in threatening China’s energy supplies from the Middle East?

Is that the intention?

Given our dependence now on US weapons, technology, and intelligence do we have an alternative to just saying yes-if we want to be armed to meet an offensive threat from anyone other than China?

If we were tohave trouble in PNG, the Pacific or even with Indonesia or India? Do we have scope for armed action without total American support?

Most critical of all: is there an alternative position that we could adopt now that would accommodate the possibility of faltering US power and commitment-if that should arise?

Are we competent to develop more subtle and complex economic and diplomatic policies?

For instance, combining with the US and our South East Asian neighbors - to further involve China in global trade, investment and cultural flows and the rules based regimes that entails- the objective being to acknowledge and enhance China’s international standing as a peaceful global power, and raise the quality of Chinese living standards –

and therefore increase the prosperity of nations like Australia that can contribute to these improved living standards.

Is it possible to deepen our relationship with China - without cost to our intimacy with the United States?

Or can that happen, only if Washington agrees our objectives?

Or is there room for policy innovation by us?

I should apologise for raising so many questions and offering so few answers.

But that's inevitable when details of policy are so rarely disclosed and discussion is so inhibited .

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In conclusion, I make the point that:

The Australian security relationship with America has given this anxious nation the confidence to get on with our generally comfortable life and has also given foreign investors the confidence to invest in supporting that comfortable life.

Yet there seems, given our peaceful and generally unthreatened life, not much taste for conventional diplomacy that builds support for peaceful solutions and keeps a sharp eye out for multilateral economic benefits that might diminish differences in this testy region.

I was surprised by the pervasive emphasis on military/strategic policy, a view of United States-China relations in only one dimension.

A paper, written by William Overholt in October, seemed to me to explain some of this. [xxiii]

I am oversimplifying him, but he argues that the militarisation of foreign relations is common to the US, China and Japan.

Overholt, a senior research fellow at Harvard's Kennedy School argued that the Bush administration placed primary reliance on the military after 9/11 and that survives in policy thinking on North Asia.

(And it's worth noting here that our foreign policy and defence elite has been deeply stitched in to that American process since 9/11under the Howard, Rudd, Gillard and Abbott Governments.)

Overholt further argues, that in 2010 Chinese economic reform was halted by vested party, military and commercial elite interests and the Chinese leadership, accused of being weak on national security by its opponents, began the aggressive policies in the South China Seas that so alarmed its neighbours-and still does.

Japan, trapped in economic decline, under Prime Minister Abe has exploited the military predominance in the US policy environment to pursue rearmament, constitutional change, and a revisionist view of Japan's excesses in the Pacific war and in China and Korea.

In all three nations, Overholt argues, the public policy consensus to pursue power through economic growth and increasing per capita wealth was lost.

Only South Korea has sustained the emphasis on building economic power and, he notes,

Around 2015 South Korea's per capita income, adjusted for purchasing power, will surpass Japan's, an astounding reversal.

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Robert Gates, the former American Secretary of Defence, in his recent memoir wrote:

Wars are a lot easier to get into than out of.

Those who ask about exit strategies or question what will happen if assumptions prove wrong

are rarely welcome at the conference table when the fire-breathers

are demanding that we strike.

He also wrote:

Our foreign and national security policy has become too militarized.

There are limits to what even the strongest and greatest nation on Earth can do.[xxiv]

Obviously Mr. Gates does not envisage the United States stealing softly away in the night in the next ten years. Neither do I.

But if, as seems perfectly possible over the next 20 years, the World Policeman role becomes distasteful and indeed impossible, on the present scale, for the United states …

Are we thinking about how we manage the change to that possible new era?

[i] 1. http://www.project-syndicate.org/commentary/christopher-r--hillon-the-causes-and-consequences-of-america-s-aimless-foreign-policy

[ii] http://www.lowyinterpreter.org/post/2013/10/16/Undercurrents-of-Sino-Japanese-discord.aspx
[iii] . *http://nsc.anu.edu.au/documents/presenter-notes-20130212-by-r-kersten.pdf*
[iv] http://www.ft.com/intl/cms/s/0/a3b2a198-81c7-11e3-87d5-00144feab7de.html#axzz2togB6ofE
[v] http://www.uscc.gov/sites/default/files/Gompert_Testimony1.30.14.pdf
[vi] http://www.pm.gov.au/media/2013-11-28/joint-press-conference-daw-aung-san-suu-kyi

[vii] *http://www.theaustralian.com.au/national-affairs/policy/tony-abbott-reaches-out-to-australias-best-friend-in-asia-japan/story-fn59nm2j-1226736508726*
[viii] http://japan.usembassy.gov/e/p/tp-20131226-01.html

[ix] http://foreignminister.gov.au/speeches/2014/jb_sp_140122.html
[x] . *http://www.theasanforum.org/australias-relations-with-china-in-turbulence/*
[xi] *http://csis.org/multimedia/video-us-australia-panel-2*
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[xiii] *https://csis.org/files/attachments/140123_FMBishop_Alliance21Speech.pdf*
[xiv] *http://www.afr.com/f/free/national/we_re_all_the_way_with_usa_XxL9PlFv8NgRdGyWr46GGO*
[xv] interview by the author with Professor Peter Drysdale
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[xvii] Columbia University Press
[xviii] http://www.eastasiaforum.org/2013/09/04/keeping-asia-peaceful-and-prosperous/
[xix] http://www.huffingtonpost.com/yan-xuetong/chinas-new-foreign-policy_b_4679425.html
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[xxii] interview with author
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