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What does China want from the region? How should Australia respond?

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As the world's second largest economy and under the leadership of President Xi Jinping China now has both the capacity and the will to realise its long held international ambitions. However, the exact nature of the regional or global order to which China aspires and their practical implications remain unclear. What kind of region does China want? What role does it see for the United States in East Asia? Is China able and willing to pay the price, both financially and politically, to craft a different regional order? And most importantly, how compatible are China's ambitions with Australia's interests and how should Australia respond?

China has taken steps to shape its international environment. Whether it is President Xi's view that Asian peoples should manage Asian security, the hugely ambitious One Road One Belt and Maritime Silk Road initiatives, the Asia Infrastructure Investment Bank or its leadership of the Shanghai Cooperation Organisation, Beijing advocates a China-centric region that marginalises the US. But there does not appear to be a clear vision of the overarching order China wants.

China's ambitions have been most evident in its sophisticated efforts to reclaim around 3000 acres of land and establish military-grade runways and deep-water ports in disputed waters in the South China Sea (SCS). It has raised concerns that China intends to control navigation in the SCS and declare an Aerial Defence Identification Zone (ADIZ) over the SCS. Alongside the deployment of an oil rig within Vietnam's Exclusive Economic Zone, its unilateral declaration of an ADIZ in the East China Sea, and the frequent harassment of Japanese Self Defense Force aircraft and ships around the Senkaku/Diaoyu islands, a picture emerges of a China that is increasingly confident to assert its interests even at the expense of unsettling many in the region.

During President Xi's state visit to the US in September, he underlined that China would never seek expansion or hegemony. While gently rebuking the US for not taking up the offer of a 'new great power' relationship based on mutual respect he also sought to reassure Washington about China's regional role. This is in keeping with comments made by Foreign Minister Wang Yi in June: "we do not intend to form military alliances or drive any country out of the Asia-Pacific."

Yet views within the US towards China have hardened over the past year. In October the US Navy conducted a long-awaited freedom of navigation patrol in the Spratly archipelago within 12 nautical miles of one of the artificial islands China has constructed. The US has since announced plans to conduct further freedom of navigation patrols in the Spratlys at least twice a quarter. China responded by sending two of its own warships to the area to prevent further "trespassing". The US Government downplayed tensions emphasising that it regularly conducts similar patrols near features claimed by other countries in the SCS. A scheduled visit to China by the US PACOM Commander also went ahead as planned. However, during the ASEAN Defence Ministers' Meeting 'Plus' talks in November defence leaders failed to issue a joint communiqué due to disagreement over references to the SCS and intense lobbying of member states by both the US and China.

Australia's ability to manage potential conflict between its major strategic and economic partners has long been the subject of speculation. Following the US patrol, Defence Minister Marise Payne



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emphasised the rights of all states to freedom of navigation and overflight, and the “legitimate interest” of Australia in maintaining these rights, and ensuring unimpeded trade and respect for international law. The comments leave open the option of Australia conducting a freedom of navigation patrol through the disputed waters in the future. The Australian Government is keen not to reduce its lines of communication and cooperation with China. The Navy proceeded with long-planned live fire exercises with its Chinese counterpart in the days following the US patrol.

During the two years of the Abbott government, Australia took a sharp position in relation to China, emphasising Australia’s commitment to the American conception of the region. This was most clearly articulated in the response to China’s establishment of an East China Sea ADIZ in 2013. In June 2015 then Defence Minister Kevin Andrews floated the idea of an Australian freedom of navigation exercise to test China’s resolve in the SCS. Although the government sought to leaven this with the conclusion of the FTA and joining the AIIB, overall, it was clear that Australia under Abbott saw China as a challenge to its long term strategic interests.

Contrary to established custom several senior Australian officials have made public comments about Australia’s relations with China in 2015. DFAT Secretary Peter Varghese observed that China has “every right” to seek greater strategic influence to match its economic weight, but that the extent to which this can be peacefully accommodated will depend on China’s international behaviour and the extent to which the existing order “intelligently” finds more space for China. He also suggested that Australia should be “alert to the need better to spread our economic risk”. Defence Secretary Dennis Richardson expressed concern at the unprecedented speed and scale of China’s land reclamation activities in the SCS. The Department of Prime Minister and Cabinet’s secretary, Michael Thawley, said that China was “not ready or willing” to lead a new global order. He said Australia was in a “long-term struggle” for influence in the region and that it should have the capability to play a larger military role.

Tony Abbott’s replacement by Malcolm Turnbull led many to assume a greater degree of moderation in Australian policy toward China. Yet, in one of his first forays into foreign policy Prime Minister Turnbull said China was “pushing the envelope” with its activities in the SCS and that responding to China’s rise would require both diplomacy and balance. He has emphasised that Australia needs to “stand up for a rules based international order, which means the strongest power cannot just do whatever it likes.” This was language that even the Abbott government had been unwilling to use. Notwithstanding some more judicious presentation, a considerable degree of continuity in Australia’s approach to China is likely.

China is increasingly willing to assert itself in the international arena and use its greater political sway to promote its interests, particularly in the region. Australia’s ability to manage the tensions that arise from these changing dynamics will directly test its strategic and diplomatic skills.

Questions for the session to consider:

- How will China use its power? How will China counterbalance American influence in the region?
- What can be expected of China as a regional actor if its economy falters?
- How should Australia respond to the changing regional dynamics? What options does it have? Deterrence? Accommodation? How closely should Australia follow US actions?
- What avenues of influence does Australia have in China and how can we utilise them most effectively in support of our interests?