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Introduction: Australia’s Strategic Dilemma

In the past 20 years, China has risen to become the second largest economic power in the world. Its GDP surpassed that of Canada in 1993, Italy in 2000, France in 2005, the U.K. in 2006, Germany in 2008, and Japan in 2009. In 2012 it surpassed the United States as the world’s largest trading nation (the U.S. remains the largest importer). China is now the number one trading partner of Australia, Japan, South Korea, and the first or second trading partner of the 10 nations in the Association of Southeast Asian Nations (ASEAN), not counting the EU. Growing economic dependence upon China, however, raises long-term security issues for all Asian trade partners, given their strategic proximity to ambitious China. This is also true for Australia, just 200 kilometers from Indonesia at their closest points. Canberra, unable to shore up a security guarantee from Beijing, has increased its purchase in the security insurance policies of Washington.

It is interesting to note that in the Asia Pacific a bilateral relationship often turns into a trilateral relationship. China’s bilateral relationship with Australia has evolved into a triangular relationship with the U.S. Similarly, China’s bilateral relations with Japan, South Korea, Singapore, the Philippines, and Vietnam have evolved into triangular relations as well. Typically, this exhibits a pattern in which the middle or small country relies on the U.S. for its security, while it is heavily dependent upon China for its trade and economic growth. This raises the issue of the relationship between economic growth and military power. It would seem they are not directly commensurable, but they are clearly linked, in both the short term (e.g., trade relations can suddenly be cut off) and the long (i.e., a nation’s military power derives from

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its economic capability). A small or middle power is caught between these two major powers in the sense that both Beijing and Washington have claims to define the core national interests of a small or middle power and pull it in opposite directions.

The larger issue is, how does a middle or small power avoid a hard choice between two larger and stronger ones? Two main scenarios have emerged in the ongoing debate. The most pessimistic view is that at some point in the future Australia will be forced to make a “hard choice” between the U.S. and China. A more optimistic scenario is one in which Australia functions as a bridge or go-between, providing the U.S. with useful ideas about how to respond to China’s rise, and in this way has an active and positive influence on the relationship while enhancing its own prosperity and security. The evolution of Australian political thinking on this issue is covered in the article by Colin Mackerras, while Baogang He reviews the academic literature. There has also been policy debate in China about this issue, as insightfully reviewed by Weihua Liu and Yufan Hao. Two different schools of thought seem to be emerging: one view, as expressed by former President Hu Jintao, holds that “Australia can be influenced” and its alliance with the U.S. weakened. A second view holds that the Australia-U.S. alliance is so strong that any attempt on China’s part to undermine it would be a waste of time. In the U.S., in contrast, there has been little academic or public discussion of this issue. This Special Issue of Asian Survey, stemming from an international Fulbright Symposium convoked by Professor Baogang He in August 2011 at Deakin University in Melbourne, represents the first time leading scholars from Australia, the United States, and China have come together to discuss the future of the Australia-U.S. alliance in the context of the rise of China. The issue aims at deepening mutual understanding between Australia, the U.S., and China; facilitating better management of the trilateral relationship; and helping to avoid potentially dangerous misunderstandings in the future.

First, trilateralism has multiple dimensions of definitions. During the Cold War, trilateralism referred to “the political and economic policy of encouraging friendly relations among three nations or regions, especially the United States, Western Europe, and Japan, or North America, Europe, and the Pacific Rim.”¹ The first Trilateral Commission was founded in July 1973 to

foster closer cooperation among the U.S., Europe, and Japan. There is now a new form of trilateralization emerging that is driven by relations between a rising China, the U.S., and Australia. This form of trilateralism does not have a formal trilateral institutional structure: the parties involved largely engage each other in bilateral terms. This begs the question whether some form of institutionalized trilateralism is needed to manage conflict and promote cooperation. Trilateralism is thus a goal, an optimal arrangement of relations with normative implications. In this context, it represents Canberra’s effort to develop a cooperative trilateral relationship with a rising power (sc., China) and a relatively declining “hegemon” (the U.S.).

But the above understanding of trilateralism does not encompass all the possible relations that might arise. A more comprehensive and open-ended framework, clearly set forth by Liu and Hao below, is that of the “strategic triangle.” Within any set of three actors, assuming their relations may be positive or negative and are bilaterally requited, there are but four possible configurations: a “marriage” of two against one, a “romantic triangle” in which one has good relations with the other two who have mutually negative relations, a “unit-veto” triangle in which all relations are negative, and a “ménage à trois,” in which all relations are positive. The defining feature is that each bilateral relationship is also affected by relations with a third party. Thus, trilateralism can be nested within a strategic triangle as a normative model moving toward an inclusive positive outcome—a “ménage.”

Formally speaking, however, it is not the current configuration. The current configuration is a “marriage” or security alliance between Australia and the U.S. It is not explicitly directed against any third power, but it does not include China. Understandably, this makes China somewhat uneasy. Chinese spokespersons have sometimes groused that efforts to strengthen the alliance “play China for a fool,” or have even criticized the alliance itself (this, however, was later disavowed). The nature, scope, and limits of the Australian-American defense alliance in the context of booming Sino-Australian trade relations are exhaustively explored here by Bill Tow. The


alliance has potential costs as well as benefits (both to the viability of the alliance and to Australia’s national security interests), and Australian prime ministers have varied along a continuum between the “deputy sheriff” position of loyal adherence (as in the Howard, Rudd, and Gillard administrations) and a more neutral or conditional commitment (as in the Hawke-Keating era). One point of divergence hinges on the Taiwan issue (does Australia’s commitment include Taiwan? or does the alliance only come into play when either of the two alliance partners’ security interests are threatened, as in former Foreign Minister Alexander Downing’s interpretation), but Canberra has also differed with Washington over Suez, Vietnam, and Indonesia. Those advocating greater independence from the alliance argue not only in terms of appeasing Beijing, though China’s recent and massive growth surge is certainly a factor, but also in terms of the advantages of Australia’s greater integration with Asia. This so-called “middle power diplomacy” conceives of Australia and other such middle powers organizing a multilateral position between the two superpowers. This notion dovetails with Hugh White’s controversial proposal for an Asian “concert of powers” that would “enmesh” the two superpowers in a multilateral web and thereby play down the rivalry between them.

For middle power diplomacy to be a viable option presupposes that Australia shares interests with a group of such powers. It is true, as noted, that Australia in common with a number of Asian middle powers (Indonesia, Vietnam, Korea, Japan) has since the turn of the millennium developed thriving trade ties with China while maintaining security relations with the U.S. Yet, if we look more closely, we see differences as well. Australia’s security relationship with China, if the Taiwan (and perhaps the Korean) issue can for the moment be disregarded, is largely untroubled, in contrast to Japan’s and that of many Southeast Asian nations who have disputes with China over sovereignty claims in the East and South China Seas, respectively. “Australia is the only Western power without any direct strategic conflicts with China in the region,” in Derek McDougall’s words. At the same time, it is probably no secret that Australia’s security policies, like those of the U.S., are implicitly oriented (inter alia) to a China contingency. This comes through fairly clearly in Chad Ohlandt’s informative discussion of cooperation in space, where he finds that collaboration is mostly bilateral in “all three space arenas, civil, commercial, and military.”

Economically, too, Australia’s trade relations are quite distinctive. Actually, all China’s trade with its Asian partners is asymmetrical, simply because
China is the largest trading nation in the world, and in that sense each bilateral relationship is smaller and less significant to China than to its trade partners. Yet, as Nick Bisley points out, three other aspects of the trade relationship offset Australia’s trade dependency. The terms of Sino-Australian trade are in Australia’s favor, generating a large foreign exchange surplus. Second, although the trade is essentially “neocolonial” (Australia exports raw materials and imports manufactures), the substitutability of Australian exports (mostly iron ore and coal) is low—China can buy elsewhere, but only at a higher price or for lower quality. Third, while China has become Australia’s largest trade partner, China’s FDI has lagged behind—mainly due to Canberra’s caution.

Meanwhile, Australia faces the same issues of substitutability and relative cost with regard to security. Canberra has never had a Yoshida Doctrine per se, but as junior partner in the U.S. alliance, Australia has derived many benefits over the years including extended nuclear deterrence, enhanced naval force projection, information collaboration, and reduced defense budgets. In space and high-tech weapons development as in other security domains, Ohlandt makes clear, Australia’s relationship with the U.S. is stronger than most, indeed, it is one of the oldest and strongest of the five U.S.-Asian bilateral security alliances. For Australia to either follow New Zealand’s lead and abrogate the alliance, or just informally de-emphasize it in the interest of greater engagement in middle power diplomacy (and to appease Beijing) would entail “a much more serious approach to defense policy than any Australian government has taken for a generation,” in White’s estimate. A much higher level of defense spending would be required to give Australia any weight in the new Asia. Yet, the choice may not be Canberra’s—as the U.S. continues its relative political-economic decline, it may opt to push its allies out of the nest, in a replay of Nixon’s Guam Doctrine. Analogous bilateral high-tech military collaboration has yet to take off between Beijing and either Canberra or Washington, according to Ohlandt.

From Australia’s perspective, relations with the two key great powers in its arena are cause for concern because they are out of balance: the relationship with China is essentially economic while relations with the U.S. focus on security. And the sense is that security relations outweigh economic relations. This gives rise to PRC resentment, especially as the trend-line points to the continued burgeoning of trade with China. One way of resolving this is to take the liberal position that economics and politics are separate,
that Sino-Australian business is politically and strategically neutral. This accords with China’s principled position throughout much of the reform era, but since the end of the Cold War, the U.S. has increasingly resorted to trade sanctions as a tool of political coercion (usually enforcing U.N. Security Council resolutions). In the past few years, Beijing has followed suit, as in the 2010 embargo on rare earth elements or the 2012 boycotts of Philippine bananas or Japanese automobiles. To preclude this eventuality (however remote, given the terms of trade), Australian political leaders have sought to minimize any seeming inconsistencies between economic and security ties. Some have even vowed that Australia will not enforce ANZUS provisions if they conflict with Chinese interests (as, for example, in a Taiwan contingency). Washington has resisted this tendency to tailor the alliance to fit Beijing’s preferences.

And which Chinese preferences might conceivably conflict with ANZUS? Liu and Hao relate that since the 17th Party Congress in 2007, Beijing has sought to formulate its “core interests” in three terms: first, the stability of the Communist Party of China (CPC) leadership and the socialist system; second, sovereign territorial integrity and national unification; and third, China’s sustainable economic and social development. Stated in the abstract, neither Canberra nor Washington takes exception to any of these core interests—indeed, President Obama explicitly agreed with them in his initial 2009 visit to China. But China’s empirical definition of its maritime territorial boundaries overlaps those of many of its neighbors, and since around 2009 China has become more assertive in attempting to enforce these claims. Underlying the three core interests is an even more long-standing goal: to restore China’s regional national primacy—not as a “hegemon,” but as a “great power of a new type.” Stubbornly opposing this goal in many Chinese eyes has been the hegemonic power of the U.S. On the American side, despite recurrent rhetorical denials of any “China threat theory” in which the U.S. seeks to thwart China’s rise, China’s growth surge has inspired “power transition” anxiety.4 This creates what Gilbert Rozman calls a “national identity gap” between China and the U.S., as reflected in polarizing media rhetoric and

4. This is a theory first articulated by Organski in 1958 but most recently applied to the China case by Mearsheimer. It posits that major war is most likely to break out during the period when a rising power approaches the capabilities of an established major power. See A. F. K. Organski, World Politics (New York: Alfred A. Knopf, 1958); and John J. Mearsheimer, “The Gathering Storm: China’s Challenge to U.S. Power in Asia,” Chinese Journal of International Politics 3 (2010), pp. 381–96.
nationalistic public opinion. The exact points of friction between these two national identities are quite vague (e.g., Chinese communism has been eclectically modified in the course of reform to make it more economically efficient), but lurking behind them historically and perhaps still reinforcing their driving power is an old ideological antithesis between communism and democracy. Australia shares this ideological antithesis but, not being a regional hegemon, does not share the American self-assigned responsibility to police the status quo, and the PRC hence does not blame it quite so much for trying to inhibit its rise. Still, some Chinese commentators have warned that many Australians have mistaken views of China’s grand strategy that could damage bilateral relations.5

The democracy shared by Australia, the U.S., and other Asian nations poses another dilemma for China. If its democratization process stalls or regresses, China faces further moral isolation that deepens divisions between itself and the increasingly democratic Asian community. On the other hand, genuine democratization undermines CCP control. As a result of this dilemma, China has pursued a slow and reversible process of democratization. Thus, “democracy with Chinese characteristics,” like Russian democracy under Putin, is apt to remain quite different from democratic practice in the U.S. or Australia for some time. This poses the challenging question: can Washington and Canberra learn to accept the legitimacy of Chinese power and its political system?

In terms of their attitudes to regionalism, the U.S. and Australia are also closer to each other than to China. Australia has followed the American idea of an Asian-Pacific Region to construct institutional frameworks for regional interaction (e.g., APEC, the TPP), while China has competed to push its own preferred institutional mechanisms, such as ASEAN Plus Three, excluding the U.S. and Australia. At the same time, China faces a regional dilemma, as some members of ASEAN have attempted to mobilize pressure against Chinese territorial claims. China’s growing participation in multilateral organizations involves both opportunities and risks. Regionalism can be both an instrument for China to assume a more active and influential role in the region as well as a constraint on its international behavior, making it difficult

for China to judge the extent to which participation in regional organizations is strategically useful.

Australia’s attempt to build a peaceful and prosperous trilateral relationship with a rising power and a relatively declining one is indeed challenging. But it is an issue apt to confront many of its Asian neighbors as well, in each case with its own nuances. This *Asian Survey* Special Issue, assembling the best analyses of the Australian triangular dilemma, may thus have wider regional relevance.